

In the opinion of Kutak Rock LLP, Kansas City, Missouri and the Hardwick Law Firm, LLC, Kansas City, Missouri, Co-Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming continuing compliance with certain covenants, interest on the Series 2009C Bonds is excluded from gross income for federal and Missouri income tax purposes and is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax. Also, in the opinion of Co-Bond Counsel, the interest on the Series 2009D Bonds is not excluded from gross income for federal and Missouri income tax purposes. See "TAX MATTERS" herein and the form of Opinion of Co-Bond Counsel attached as Appendix D to this Official Statement.

**NEW ISSUE
BOOK-ENTRY ONLY**

See "BOND RATINGS" herein

\$12,245,000
CITY OF KANSAS CITY, MISSOURI
VARIABLE RATE DEMAND
SPECIAL OBLIGATION REFUNDING BONDS
(CHOUTEAU I-35 PROJECT)
consisting of:

\$6,485,000
SERIES 2009C
Due: March 1, 2024
CUSIP No.: 485106CY2

\$5,760,000
TAXABLE SERIES 2009D
Due: March 1, 2023
CUSIP No.: 485106CZ9

Dated: Date of Delivery

Price of all Bonds: 100%

The Variable Rate Demand Special Obligation Refunding Bonds (Chouteau I-35 Project) Series 2009C (the "Series 2009C Bonds") and the Variable Rate Demand Taxable Special Obligation Refunding Bonds (Chouteau I-35 Project) Series 2009D (the "Series 2009D Bonds," together with the Series 2009C Bonds, the "Bonds") are being issued by the City of Kansas City, Missouri (the "Issuer") pursuant to an Indenture of Trust, dated as of April 1, 2009 (the "Indenture"), between the Issuer and Commerce Bank, N.A., Kansas City, Missouri, as trustee (the "Trustee"). The Bonds are being issued for the purpose of providing funds, along with other available funds, to (i) refund the Refunded Bonds (as defined herein), and (ii) pay the initial letter of credit fees and certain costs related to the issuance of the Bonds.

The Bonds and the interest thereon shall be special, limited obligations of the Issuer payable solely out of Appropriated Funds, any Revenues deposited with the Trustee and all of the Issuer's rights and obligations under the Financing Agreement (as defined herein) and moneys in certain funds and accounts held by the Trustee under the Indenture, and are secured by a transfer, pledge and assignment of and a grant of a security interest in the Trust Estate to the Trustee and in favor of the owners of the Bonds, as provided in the Indenture. The Bonds and interest thereon shall not be deemed to constitute a debt or liability of the Issuer within the meaning of any constitutional, statutory or charter limitation or provision, and shall not constitute a pledge of the full faith and credit of the Issuer, but shall be payable solely from the funds provided for in the Indenture. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the Issuer to levy any form of taxation therefor or to make any appropriation for their payment.

The Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form, in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof. So long as Cede & Co. is the registered owner of the Bonds, purchasers of beneficial interests ("Beneficial Owners") will not receive certificates representing their interests in the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC or Cede & Co., and references herein to the owners of the Bonds shall mean Cede & Co. See the caption "THE BONDS – Book-Entry System" in this Official Statement.

From the date of original issuance of the Bonds through April 8, 2010, unless extended or earlier terminated or replaced, principal of and interest on the Bonds, and the purchase price of such Bonds tendered for payment as described herein, will be payable from funds drawn under an irrevocable letter of credit (the "Letter of Credit") issued in favor of the Trustee by JPMorgan Chase Bank, National Association (the "Letter of Credit Provider" or "Bank").

J.P.Morgan

The Letter of Credit is the direct obligation of the Letter of Credit Provider to pay to the Trustee, in conformity with the terms thereof, sums up to the principal amount of the Bonds and up to 39 days of accrued interest on the Bonds (calculated at an assumed maximum interest rate of 10% per annum). Except to the extent payable from draws under the Letter of Credit, the principal of and interest on the Bonds are payable from payments to be made by the Issuer pursuant to the Indenture.

Principal of and redemption premium, if any, on the Bonds will be payable upon surrender thereof at the principal corporate trust office of the Trustee. The Bonds may bear interest at Daily, Weekly, Short-Term, Long-Term or Fixed Rates. The Interest Rate Period in which the Bonds are operating may be changed from time to time as described herein. The Bonds will initially bear interest in the Weekly Interest Rate Period. While bearing interest at Weekly Interest Rates, interest on the Bonds will be payable on the first day of each calendar month, commencing May 1, 2009, and on any day on which the Bonds are converted to a different Interest Rate Period. **This Official Statement provides information concerning the Bonds while bearing interest at Weekly Interest Rates. There are significant differences in the terms of the Bonds if they are in a Short-Term, Long-Term or Fixed Interest Rate Period. This Official Statement is not intended to provide information with respect to any Interest Rate Period other than the Weekly Interest Rate Period.**

The Bonds are subject to redemption prior to maturity and optional and mandatory tender for purchase under certain circumstances, all as described herein.

The Bonds are subject to certain risk factors. See the caption "INVESTMENT CONSIDERATIONS AND RISKS" in this Official Statement.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds are offered when, as and if issued, by the Issuer and accepted by the Underwriter, subject to the approval of legality by Hardwick Law Firm, LLC, Kansas City, Missouri, and Kutak Rock LLP, Kansas City, Missouri, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Issuer by the Assistant City Attorney and by its co-disclosure counsel, Bryan Cave LLP and Fields & Brown, LLC, Kansas City, Missouri, for the Letter of Credit Provider by McKee Nelson LLP, Washington, D.C.; and for the Underwriter by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about April 9, 2009.

Banc of America Securities LLC

April 3, 2009

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Issuer, the Underwriter or the Letter of Credit Provider or by any person to give any information or to make any representation with respect to the Bonds offered hereby, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any offer, solicitation or sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not so expressly described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the Issuer, the Letter of Credit Provider and other sources which are believed to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE BONDS ARE BEING OFFERED IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement will be posted on the internet website of Financial Printing Resource, inc. located at <http://www.fpr.net>. Information in this Official Statement can be relied upon only if downloaded in its entirety from such website or if obtained in original, bound format.

CITY OF KANSAS CITY, MISSOURI
City Hall
414 East 12th Street
Kansas City, Missouri 64106

ELECTED OFFICIALS

MAYOR

Mark Funkhouser

CITY COUNCIL MEMBERS

Council Members-at-Large

District 1	Deb Hermann
District 2	Ed Ford
District 3	Melba Curls
District 4	Beth Gottstein
District 5	Cindy Circo
District 6	Cathy Jolly

District Council Members

District 1	Bill Skaggs
District 2	Russ Johnson
District 3	Sharon Sanders Brooks
District 4	Jan Marcason
District 5	Terry Riley
District 6	John A. Sharp

CITY ADMINISTRATIVE OFFICIALS

CITY MANAGER

Wayne A. Cauthen

CITY ATTORNEY

Galen Beaufort, Esq.

DIRECTOR OF FINANCE

Jeffrey A. Yates

CITY CLERK

Vickie Thompson

LEGAL COUNSEL

CO-BOND COUNSEL

Hardwick Law Firm, LLC
Kansas City, Missouri

Kutak Rock LLP
Kansas City, Missouri

CO-DISCLOSURE COUNSEL

Bryan Cave LLP
Kansas City, Missouri

Fields & Brown, LLC
Kansas City, Missouri

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose of the Official Statement	1
The Issuer	1
The Commission	2
The Redeveloper and the Redevelopment Project	2
The Bonds	2
Security and Sources of Payment for the Bonds	3
The Letter of Credit	4
Investment Considerations and Risks	4
Financial Statements	4
Continuing Disclosure	4
Bond Ratings	5
Definitions, Summaries of Documents and Additional Information	5
Miscellaneous	5
THE ISSUER	5
In General	5
Anticipated Future Financings	5
Recent Financings	6
Budget Considerations	6
Available Information	6
Accounting Change for Other Postemployment Benefits	7
PLAN OF FINANCING	7
Purpose of the Bonds	7
Refunding of the Refunded Bonds	7
Sources and Uses of the Bond Proceeds	8
THE BONDS	8
General Terms	8
Determination of the Weekly Interest Rate	9
Conversions of Interest Rate on Bonds	10
Redemption Provisions	11
Tender and Purchase of the Bonds	14
Remarketing	17
Book-Entry System	18
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	20
Limited Obligations; Sources of Payment	20
Annual Appropriation	21
Application of Certain Funds under the Indenture	22
The Letter of Credit	23
Enforceability	23
Remedies of Bondholders	23
THE LETTER OF CREDIT	23
The Letter of Credit	23
The Reimbursement Agreement	24
The Letter of Credit Provider	27
INVESTMENT CONSIDERATIONS AND RISKS	27
In General	27
The Letter of Credit Provider	28
Limitations of the Letter of Credit	28
Enforcement of Remedies	28

Risk of Non-Appropriation	28
Early Redemption of Bonds	29
No Registration	29
Risks Related to the Letter of Credit Provider	29
Changes in State and Local Tax Laws	29
Reduction in State and Local Tax Rates	29
Special Considerations Relating to the Bonds	30
In Summary	31
LITIGATION	31
The Issuer	31
The Commission	31
LEGAL MATTERS	31
TAX MATTERS	32
SERIES 2009C BONDS	32
In General	32
Backup Withholding	32
Changes in Federal Tax Law	33
SERIES 2009D BONDS	33
In General	33
Premium	33
Market Discount	34
Sales or Other Dispositions	34
Backup Withholding	35
Foreign Investors	35
ERISA Considerations	36
Treasury Circular 230 Disclosure	36
BOND RATINGS	36
FINANCIAL STATEMENTS	36
CONTINUING DISCLOSURE	37
UNDERWRITING	37
CO-FINANCIAL ADVISORS	37
CERTAIN RELATIONSHIPS	37
MISCELLANEOUS	38
APPENDIX A – FINANCIAL STATEMENTS OF THE CITY OF KANSAS CITY, MISSOURI	
APPENDIX B – DEFINITIONS AND SUMMARY OF CERTAIN FINANCING DOCUMENTS	
APPENDIX C – INFORMATION REGARDING THE CITY OF KANSAS CITY, MISSOURI	
APPENDIX D – FORM OF BOND COUNSEL OPINION	
APPENDIX E – THE LETTER OF CREDIT PROVIDER	

(THIS PAGE INTENTIONALLY LEFT BLANK)

OFFICIAL STATEMENT

relating to

\$12,245,000

CITY OF KANSAS CITY, MISSOURI VARIABLE RATE DEMAND SPECIAL OBLIGATION REFUNDING BONDS (CHOUTEAU I-35 PROJECT)

consisting of:

\$6,485,000
SERIES 2009C

\$5,760,000
TAXABLE SERIES 2009D

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and the Appendices, must be considered in its entirety. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

*For definitions of certain capitalized terms used herein and not otherwise defined, see **Appendix B** to this Official Statement.*

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page hereof and the appendices hereto, is to furnish information relating to (i) the City of Kansas City, Missouri (the “**Issuer**” or the “**City**”), (ii) the Issuer’s Variable Rate Demand Special Obligation Refunding Bonds (Chouteau I-35 Project) Series 2009C in the original aggregate principal amount of \$6,485,000 (the “**Series 2009C Bonds**”) and the Issuer’s Variable Rate Demand Taxable Special Obligation Refunding Bonds (Chouteau I-35 Project) Series 2009D in the original aggregate principal amount of \$5,760,000 (the “**Series 2009D Bonds**,” together with the Series 2009C Bonds, the “**Bonds**”), and (iii) the irrevocable direct-pay letter of credit (the “**Letter of Credit**”) provided by JPMorgan Chase Bank, National Association (the “**Letter of Credit Provider**”) pursuant to a Reimbursement Agreement, dated as of April 1, 2009 (the “**Reimbursement Agreement**”), between the Issuer and the Letter of Credit Provider.

This Official Statement provides information concerning the Bonds while bearing interest in a Weekly Interest Rate Period. There are significant differences in the terms of the Bonds if they are in a Daily Interest Rate Period, a Short-Term Interest Rate Period, a Long-Term Interest Rate Period or a Fixed Interest Rate Period. This Official Statement is not intended to provide information with respect to any Interest Rate Period other than the Weekly Interest Rate Period.

The Issuer

The Issuer is a constitutional home rule city and political subdivision established under the laws of the State of Missouri. The Issuer incorporated on June 3, 1850. See the caption “**THE ISSUER**” in this Official Statement and **Appendix C** to this Official Statement for additional information relating to the Issuer.

The Bonds are not a general obligation of the Issuer and are payable solely from the revenues described in this Official Statement. The information regarding the Issuer contained in **Appendix C** should not be construed as an indication that the Bonds are payable from any source other than such revenues as described in this Official Statement. See the caption **“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS”** in this Official Statement.

The Commission

The Tax Increment Financing Commission of Kansas City, Missouri (the **“Commission”**) is a tax increment financing commission duly created by the City of Kansas City, Missouri under the laws of the State of Missouri, particularly the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865, inclusive of the Revised Statutes of Missouri, as amended (the **“TIF Act”**). Pursuant to the TIF Act, the Commission authorized the Refunded Bonds to provide funds to finance the Project.

The Redeveloper and the Redevelopment Project

The Commission and Chouteau I-35 Development L.L.C., a Missouri limited liability company (the **“Initial Redeveloper”**) entered into a Redevelopment Agreement, dated as of September 2, 1998, for the purpose of constructing a 245,000 square foot retail shopping center in an irregularly shaped area generally bounded by Interstate 35 to the north, Northeast Chouteau Trafficway to the west, North Winn road to the east and a city park to the south (**“Project Area 1”** and **“Project Area 2”**). The Initial Redeveloper assigned its rights under the Redevelopment Agreement to Chouteau Development L.L.C., an Oklahoma limited liability company (**“Chouteau Development”**) pursuant to an assignment agreement dated September 15, 1998.

Chouteau Development and the Commission entered into an Acquisition Funding Agreement on October 16, 1998, and a First Amendment to the Redevelopment Agreement on February 24, 2000. The Commission recommended and on July 18, 2002, the City approved, the First Amendment to the TIF Plan pursuant to which an existing project was separated into two project areas, and an infrastructure/public improvements program was added. The Commission also recommended and on January 16, 2003, the City approved a Second Amendment to TIF Plan to expand the Redevelopment Area to include two additional neighborhoods in the public improvement project. Project Areas 1 and 2 and the infrastructure/public improvements described in the TIF Plan, as amended, are collectively referred to as the **“Project”**.

In February 2004, the majority member of Chouteau Development filed for bankruptcy protection under federal bankruptcy laws and Rushmore Chouteau, L.L.C., an Illinois limited liability company (the **“Redeveloper”**) purchased portions of the premises through the bankruptcy court. On July 28, 2004, the Redeveloper and the City entered into an Agreement for Administration of Special Assessment (Chouteau Crossing Project) regarding the rights and duties of the parties subject to the Project.

The Bonds

The Issuer will issue the Bonds pursuant to an Indenture of Trust, dated as of April 1, 2009 (the **“Indenture”**), between the Issuer and Commerce Bank, N.A., Kansas City, Missouri (the **“Trustee”**) for the purpose of providing funds, along with other available funds, to (i) refund the Refunded Bonds, and (ii) pay the initial letter of credit fees and certain costs related to the issuance of the Bonds.

See the caption **“PLAN OF FINANCING”** in this Official Statement for a description of the application of the proceeds of the Bonds and the Project.

A description of the Bonds is contained under the caption **“THE BONDS”** in this Official Statement. All references to the Bonds are qualified in their entirety by the definitive form thereof and the provisions with respect thereto included in the Indenture.

The Bonds are subject to redemption prior to maturity as described under the caption “**THE BONDS**” in this Official Statement.

The Bonds are payable only from Appropriated Moneys, and such other sources as described under the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**” in this Official Statement.

Security and Sources of Payment for the Bonds

The Bonds and the interest thereon shall be special, limited obligations of the Issuer payable solely out of the Appropriated Moneys, any Revenues deposited with the Trustee and all of the Issuer’s rights and obligations under the Financing Agreement and moneys in certain funds and accounts held by the Trustee under the Indenture as described in the next paragraph defining the Trust Estate, and are secured by a transfer, pledge and assignment of and a grant of a security interest in the Trust Estate to the Trustee and in favor of the owners of the Bonds, as provided in the Indenture. The Bonds and interest thereon shall not be deemed to constitute a debt or liability of the Issuer within the meaning of any constitutional, statutory or charter limitation or provision, and shall not constitute a pledge of the full faith and credit of the Issuer, but shall be payable solely from the funds provided for in the Indenture. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the Issuer to levy any form of taxation therefor or to make any appropriation for their payment.

The “**Trust Estate**” consists of (a) all right, title and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) in, to and under (i) any Appropriated Funds, (ii) any Revenues deposited with the Trustee and all of the Issuer’s rights and obligations under the Financing Agreement and (iii) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the proceeds of the Bonds; and (b) all other moneys and securities from time to time held by the Trustee under the terms of the Indenture (excluding amounts held in the Bond Purchase Fund as defined in the Indenture), and any and all other property (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder by the Issuer, or by anyone in its behalf or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms in the Indenture.

In connection with the issuance of the Bonds, the Issuer, the Commission and the Trustee will enter into a Financing Agreement, dated as of April 1, 2009 (the “**Financing Agreement**”), pursuant to which the Issuer covenants to transfer to the Trustee, for deposit in the Revenue Fund, Payments in Lieu of Taxes and, subject to annual appropriation, Economic Activity Tax Revenues generated within Project Area 1 and Project Area 2. The Indenture also provides for the Issuer to transfer to the Trustee any appropriated City Revenues required to pay debt service on the Bonds to the Trustee for deposit in the Revenue Fund. Payments from appropriations of City Revenues are expected to be made only to the extent that TIF Revenues are not sufficient to pay debt service on the Bonds in any year. See the section herein captioned “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Financing Agreement**”

THE BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE ISSUER AND DO NOT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND DO NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE BONDS SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

See caption “**SECURITY AND SOURCES OF PAYMENTS OF THE BONDS – Limited Obligations; Sources of Payment**” in this Official Statement.

The Letter of Credit

Concurrently with the issuance and delivery of the Bonds, the Issuer will cause to be delivered to the Trustee an irrevocable direct-pay letter of credit with respect to the Bonds (the “**Letter of Credit**”) issued by JPMorgan Chase Bank, National Association (the “**Letter of Credit Provider**”). The Letter of Credit is being issued in an amount equal to the principal amount of the Bonds plus 39 days of interest computed at the rate of 10% per annum. The Trustee is required under the Indenture to draw under the Letter of Credit in order to provide for the timely payment of the principal of and interest on the Bonds and the purchase price of such Bonds tendered for purchase and not otherwise remarketed. The Letter of Credit will initially expire on April 8, 2010, unless earlier terminated or extended as provided therein. The Issuer will enter into a Reimbursement Agreement, dated as of April 1, 2009 (the “**Reimbursement Agreement**”), providing for reimbursement to the Letter of Credit Provider of amounts drawn under the Letter of Credit and the payment of certain fees to the Letter of Credit Provider. See the caption “**THE LETTER OF CREDIT**” in this Official Statement and **Appendix E** to this Official Statement.

Investment Considerations and Risks

Purchase of the Bonds will constitute an investment subject to significant risks, including the risk of nonpayment of principal and interest and the loss of all or part of the investment. There can be no assurance that the Issuer will annually appropriate the Appropriated Funds in the future. Prospective purchasers should carefully evaluate the risks and merits of an investment in the Bonds, confer with their own legal and financial advisors and be able to bear the risk of loss of their investment in the Bonds before considering a purchase of the Bonds. See the caption “**INVESTMENT CONSIDERATIONS AND RISKS**” in this Official Statement.

Financial Statements

Audited financial statements of the Issuer, as of and for the fiscal year ended April 30, 2008, are included in **Appendix A** to this Official Statement. The audited financial statements have been audited by a firm of independent certified public accountants, to the extent and for the periods indicated in the report of such firm, which is also included in **Appendix A**. See the caption “**FINANCIAL STATEMENTS**” in this Official Statement.

Continuing Disclosure

So long as the Bonds bear interest at a Weekly Rate, the Bonds will be exempt from the disclosure requirements of Rule 15c2-12 (the “**Rule**”) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. If the exemption from the Rule no longer applies, the Issuer has covenanted to enter into a continuing disclosure undertaking as may be necessary to

comply with the Rule as then in effect. See the caption “**CONTINUING DISCLOSURE**” in this Official Statement.

Bond Ratings

The Issuer is expected to receive ratings on the Bonds as set forth under the caption “**BOND RATINGS**” in this Official Statement.

Definitions, Summaries of Documents and Additional Information

Definitions of certain words and terms used in this Official Statement and summaries of certain Transaction Documents are included in this Official Statement in **Appendix B** to this Official Statement. Such definitions and summaries do not purport to be comprehensive or definitive. **Appendix D** to this Official Statement contains the proposed form of opinion which are anticipated to be rendered by Bond Counsel at the time of delivery of the Bonds.

Miscellaneous

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Additional information with respect to this Official Statement and the Bonds may be obtained from First Southwest Company, 325 North St. Paul Street, Suite 800, Dallas, Texas 75201, or from Valdés & Moreno, Inc., 1600 Genessee Street, Suite 630, Kansas City, Missouri 64102.

THE ISSUER

In General

The Issuer was incorporated on June 3, 1850. The Issuer is the central city of a 15-county Metropolitan Statistical Area (MSA), which includes Bates, Caldwell, Cass, Clay, Jackson, Platte, Clinton, Lafayette and Ray counties in the State of Missouri and Johnson, Franklin, Linn, Wyandotte, Leavenworth and Miami counties in the State of Kansas, and is situated at the confluence of the Kansas and Missouri rivers on Interstate Highways I-29, I-35 and I-70. The Issuer had a population of 480,534, according to the Issuer’s Planning and Development Department’s 2008 estimate. The Kansas City MSA had a population of 2,006,565 according to the Issuer’s Planning and Development Department’s 2008 estimate. See “**APPENDIX C: INFORMATION CONCERNING THE CITY OF KANSAS CITY, MISSOURI**” and “**APPENDIX A: AUDITED FINANCIAL STATEMENTS OF THE CITY OF KANSAS CITY, MISSOURI**” to this Official Statement.

The Bonds are not a general obligation of the Issuer and are payable solely from the Appropriated Funds described in this Official Statement. The information regarding the Issuer contained in **Appendix C** should not be construed as an indication that the Bonds are payable from any source other than such Appropriated Funds as described in this Official Statement. See the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**” in this Official Statement.

Anticipated Future Financings

The Issuer anticipates that in the next few months it will issue additional obligations that will be secured, in part, by the Issuer’s annual appropriation. Such additional issuances may include (i) an approximately \$5,000,000 issuance to finance costs related to the second phase of improvements within downtown Kansas City, Missouri in connection with the implementation of the East Village Tax Increment Financing Plan, (ii) an approximately \$30,000,000 issuance to finance costs related to improvements within downtown Kansas City, Missouri in connection with the implementation of the Gailoyd Tax Increment Financing Plan, (iii) an approximately \$48,000,000 issuance to finance costs related to the construction of a

parking garage adjacent to the Kansas City Performing Arts Center, (iv) an approximately \$21,000,000 issuance to finance costs related to land acquisition and abatement for a Southtown Urban Life Shopping Center, (v) an approximately \$3,500,000 issuance reimbursing the City for moneys provided to fund the debt service reserve requirements, of the Land Clearance for Redevelopment Authority of Kansas City, Missouri Improvement and Refunding Bonds, Series 2005E, substituting a surety insurance policy from Syncora Guarantee Inc., (vi) an approximately \$5,000,000 issuance to finance the purchase of various vehicles for the City fleet vehicle program, (vii) an approximately \$407,000 issuance to finance the purchase of software, hardware and implementation services for the upgrade of KIVA enterprise system software for governmental purposes, which include invoicing real estate taxes, special assessment, citizen complaints, service actions and inspections, and (viii) an approximately \$1,000,000 issuance to finance the purchase of software, hardware and implementation services for a fuel management system program for the City.

Recent Financings

The Issuer has completed several financings since the date of the financial statements contained in **Appendix A** to this Official Statement. Those financings are described and set forth in the financial information contained in **Appendix C** to this Official Statement.

Budget Considerations

The Issuer's City Charter requires that the City Council adopt a balanced annual budget for each fiscal year. The process for that adoption is described in **Appendix C** to this Official Statement under the caption "**BUDGETING, ACCOUNTING AND AUDITING PROCEDURES – Budget Process.**" In connection with the review and ultimate adoption of each budget, the City Council, the Mayor and the City Manager may recommend the reduction or elimination of certain expenditures. As part of the budget review and adoption process, the Issuer may have to consider reductions in certain expenditures or programs if projected revenues do not match or exceed projected expenditures. There can be no assurances that the adopted budget for any fiscal year will contain an appropriation of moneys sufficient to pay all the Debt Service Payments and reasonably estimated Additional Payments as set forth in this Official Statement under the caption "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Annual Appropriation;**" however, the Issuer has expressed its current intention to do so as set forth in the Indenture.

Available Information

The Issuer has entered into continuing disclosure agreements under SEC Rule 15c2-12, under which the Issuer annually files its audited financial statements and certain other information with each nationally recognized municipal securities repository. Such financial statements and other information are available from the nationally recognized municipal securities repositories. The SEC maintains a site on the World Wide Web at <http://www.sec.gov/info/municipal/nrmsir.htm>, which contains a listing of the nationally recognized municipal securities repositories. The Issuer intends, but is not obligated to file its continuing disclosure filings through Municipal Advisory Council of Texas's central post office system located on the World Wide Web at <http://www.disclosureusa.org>, where interested parties may obtain an index of filings made by the Issuer through such service.

The MSRB has sought to establish a continuing disclosure service of its Electronic Municipal Market Access System (“**EMMA**”), considered the equivalent of the SEC’s EDGAR system, located on the World Wide Web at <http://emma.msrb.org>. MSRB filed with the SEC an amendment to the continuing disclosure proposal intended to provide for a transition to EMMA’s continuing disclosure service. The operational date for the continuing disclosure service has been set at July 1, 2009. Thus, beginning on July 1, 2009, filings with the MSRB may be made via EMMA. EMMA will replace the four existing nationally recognized municipal securities information repositories, as well as the Central Post Office disclosure service.

For information relating to the Issuer’s continuing disclosure undertakings in connection with the issuance of the Bonds, see the caption “**CONTINUING DISCLOSURE**” in this Official Statement.

Accounting Change for Other Postemployment Benefits

In July 2004, the Governmental Accounting Standards Board (“**GASB**”) issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. Specifically, the Issuer is required to measure and disclose an amount for annual OPEB cost on the accrual basis for health benefits that will be provided to retired employees in future years. The disclosure requirement for the Issuer began with the fiscal year ending April 30, 2008.

The Issuer’s aggregate actuarial accrued liability (including police uniformed and civilian) is \$181,732,457 and the corresponding annual required contribution (ARC) is \$18,172,240. The general government’s actuarial accrued OPEB liability and ARC are \$119,131,619 and \$12,688,865, respectively. For financial reporting purposes, the aggregate actuarial accrued OPEB liability and ARC (excluding police uniformed and civilian) will be apportioned to both governmental and business-type activities (i.e., aviation, water, sewer, storm water and wastewater).

PLAN OF FINANCING

Purpose of the Bonds

The Issuer will issue the Bonds pursuant to the Indenture for the purpose of providing funds, along with other available funds, to (i) refund the Refunded Bonds, and (ii) pay the Costs of Issuance of the Bonds.

Refunding of the Refunded Bonds

The Commission previously issued the \$7,355,000 aggregate principal amount of Variable Rate Demand Tax Increment Refunding and Improvement Revenue Bonds (Chouteau I-35 Project) Series 2003A, and \$7,425,000 aggregate principal amount of Variable Rate Demand Taxable Tax Increment Refunding and Improvement Revenue Bonds (Chouteau I-35) Series 2003B, currently outstanding in the combined aggregate principal amount of \$11,995,000 (collectively, the “**Refunded Bonds**”), the proceeds of which were used to provide funds (a) to pay for certain costs of the Project including the current refunding of certain prior bonds issued by the Commission in 2001, (b) to fund capitalized interest on the Refunded Bonds, and (c) to pay certain costs related to the issuance of the Refunded Bonds.

A portion of the proceeds from the issuance and sale of the Bonds, together with other available funds of the Issuer, will be used to refund and redeem the Refunded Bonds on April 9, 2009.

Sources and Uses of the Bond Proceeds

The following table itemizes the estimated sources and uses of funds relating to the sale of the Bonds:

Sources of Funds:

Principal Amount	\$ 12,245,000.00
Total Sources of Funds	<u>\$ 12,245,000.00</u>

Uses of Funds:

Transfer to the Trustee/paying agent for the Refunded Bonds	\$ 11,995,000.00
Costs of Issuance ⁽¹⁾	<u>250,000.00</u>
Total Uses of Funds	<u>\$ 12,245,000.00</u>

- ⁽¹⁾ Includes rating agency fees, initial fees of the Letter of Credit Provider and the Trustee, printing costs, financial advisor fees, legal fees, Underwriter's discount and certain other costs of issuance. See the caption "**UNDERWRITING**" herein.

THE BONDS

This Official Statement provides information concerning the Bonds while bearing interest in a Weekly Interest Rate Period. There are significant differences in the terms of the Bonds if they are in a Daily Interest Rate Period, a Short-Term Interest Rate Period, a Long-Term Interest Rate Period or a Fixed Interest Rate Period. This Official Statement is not intended to provide information with respect to any Interest Rate Period other than the Weekly Interest Rate Period.

General Terms

The Bonds will be issued initially to bear interest at a Weekly Interest Rate as described below under "**Determination of the Weekly Interest Rate**" unless and until the Issuer, and upon compliance with the conditions set forth in the Indenture, converts the Bonds to a Short-Term Interest Rate Period, Long-Term Interest Rate Period or Fixed Interest Rate Period (each, including the Weekly Interest Rate Period, an "**Interest Rate Period**").

The Series 2009C Bonds mature on March 1, 2024 and the Series 2009D Bonds mature on March 1, 2023, in each case, subject to prior redemption as described herein under "**Redemption Provisions**." The Bonds are dated the date of their issuance and bear interest from that date or the most recent Interest Payment Date until paid. So long as the Bonds bear interest at a Weekly Interest Rate, interest will be computed on the basis of a 365- or 366-day year for the actual days elapsed for the Bonds.

The Bonds will be issued as fully registered bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of DTC. The Bonds, while bearing interest at a Weekly Interest Rate, may be purchased by the Beneficial Owners in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof (each, an "**Authorized Denomination**").

While interest on the Bonds bear interest at a Weekly Interest Rate, interest on the Bonds will be payable monthly in arrears on the first day of each calendar month commencing on May 1, 2009. If a payment date is not a Business Day at the place of payment, the payment will be made at that place on the next succeeding Business Day, with the same force and effect as if made on the payment date, and, in the case of such payment, no interest will accrue for the intervening period.

Interest on the Bonds will be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on and including the day immediately preceding the Interest Payment Date; provided, however, interest payable on the Bonds on the initial Interest Payment Date will be payable for the period commencing on the date of issuance of the Bonds and ending on the day immediately preceding the initial Interest Payment Date. In any event, interest on the Bonds will be payable for the final Interest Rate Period to the date on which the Bonds have been paid in full.

At no time will any Bond bear interest at a Weekly Interest Rate that is in excess of 10% per annum.

Principal of and premium, if any, and interest on the Bonds will be paid by the Trustee. Principal is payable upon presentation of such Bonds by the Holders thereof. Interest on the Bonds bearing interest at Weekly Interest Rates will be payable on each Interest Payment Date by the Trustee by wire transfer of immediately available funds to the respective Holders thereof on the Record Date to an account specified by the Holder thereof in a writing delivered to the Trustee. The Record Date with respect to any Interest Payment Date for the Bonds while bearing interest at Weekly Interest Rates is the Business Day immediately preceding such Interest Payment Date. Notwithstanding the foregoing, so long as records of ownership of the Bonds are maintained through the Book-Entry System described below, all payments to the Beneficial Owners of the Bonds will be made in accordance with the procedures described below under the caption “**Book-Entry System.**”

The Issuer will enter into a Remarketing Agreement with Banc of America Securities LLC (the “**Remarketing Agent**”), as the remarketing agent for the Bonds, under which the Remarketing Agent will agree to determine the Weekly Interest Rate on the Bonds and use its best efforts to remarket each series of the Bonds subject to optional and mandatory tender for purchase as set forth under the caption “**THE BONDS – Remarketing**” in this Official Statement.

Determination of the Weekly Interest Rate

During each Weekly Interest Rate Period, any Bonds designated as bearing interest at a Weekly Interest Rate shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by 5:00 p.m. on Tuesday of each week during the Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Interest Rate Period ends on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on and including the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on and including the last day of such Weekly Interest Rate Period.

Each Weekly Interest Rate with respect to the Bonds shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt or taxable obligations, as applicable, comparable, in the judgment of the Remarketing Agent, to the Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell all of the Bonds on the effective date of that rate at a price (without regard to accrued interest) equal to the principal amount thereof.

If the Remarketing Agent fails to establish a Weekly Interest Rate for any week with respect to the Bonds bearing interest at such rate, then the Weekly Interest Rate for such week with respect to such Bonds shall be the same as the immediately preceding Weekly Interest Rate if such Weekly Interest Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Interest Rate for the Series

2009C Bonds was not determined by the Remarketing Agent, or if the Weekly Interest Rate for the Series 2009C Bonds determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for the Series 2009C Bonds for such week, as determined by the Remarketing Agent, shall be equal to 100% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day such Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period. If the immediately preceding Weekly Interest Rate for the Series 2009D Bonds was not determined by the Remarketing Agent, or if the Weekly Interest Rate for the Series 2009D Bonds determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for the Series 2009D Bonds for such week, as determined by the Remarketing Agent, shall be equal to 100% of the One Month LIBOR Rate, or if such index is no longer available, 100% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Interest Rate is again validly determined by such Remarketing Agent.

If at any time the Remarketing Agent shall determine that, in its judgment and with the concurrence of the Issuer, the scheduled date for commencement of a Weekly Rate Period has become inappropriate (taking into account general market practice with respect to periodic adjustment of rates on instruments comparable to the Bonds bearing interest at the Weekly Rate, whether based upon the time of compilation or reporting of any interest rate or financial index or indicator or otherwise), the Remarketing Agent may, upon approval of the Issuer, designate a new day of the week for the commencement of Weekly Rate Periods to remain in effect until another redetermination in accordance with the Indenture. The Remarketing Agent shall give written notice of any change in the commencement date of a Weekly Rate Period to the Issuer, the Trustee, the Letter of Credit Provider, and such change shall become effective on the first scheduled day of a Weekly Rate Period so designated occurring not less than 14 days following the giving of such notice. Promptly upon receipt of such notice, the Trustee shall notify or cause the Remarketing Agent to notify each affected Bondholder of such change in writing.

Conversions of Interest Rate on Bonds

The Issuer may convert the Bonds, from time to time, from an Interest Rate Period to another Interest Rate Period as provided in the Indenture.

Notice Upon Converting Interest Rate. If the Issuer elects to convert the interest rate of the Bonds to a Daily Interest Rate, Long-Term Interest Rate, Fixed Interest Rate or Short-Term Interest Rates as provided in the Indenture, the written direction furnished by the Issuer to the Trustee, the Tender Agent, the Letter of Credit Provider and the Remarketing Agent as required by the Indenture shall be made by registered or certified mail, or by telecopy confirmed by registered or certified mail. That direction shall specify whether the Bonds are to bear interest at the Daily Interest Rate, Long-Term Interest Rate, Fixed Interest Rate or Short-Term Interest Rates and shall be accompanied by (i) a copy of the notice required to be given by the Trustee pursuant to the Indenture and (ii) a Favorable Opinion of Co-Bond Counsel.

Rescission of Election. Notwithstanding anything in the Indenture, in connection with any Conversion of the Interest Rate Period for any Bonds, the Issuer shall have the right to deliver to the Trustee, the Remarketing Agent and the Letter of Credit Provider, on or prior to 10:00 a.m. on the second (2nd) Business Day preceding the effective date of any such Conversion a notice to the effect that the Issuer elects to rescind its election to make such Conversion. If the Issuer rescinds its election to make such Conversion, then such Bonds shall bear interest at a Weekly Interest Rate commencing on the date which would have been the effective date of the Conversion. In any event, if notice of a Conversion has been mailed to the Holders of such Bonds as provided in the Indenture and the Issuer rescinds its election to make such

Conversion, then the Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the Indenture.

Conditions to Conversion. No Conversion from one Interest Rate Period to another shall take effect under the Indenture unless each of the following conditions, to the extent applicable, shall have been satisfied:

(i) With respect to the new Interest Rate Period, there shall be in effect a Letter of Credit if and as required under the Indenture.

(ii) The Trustee shall have received a Favorable Opinion of Co-Bond Counsel with respect to such Conversion dated the effective date of such Conversion.

(iii) In the case of any Conversion with respect to which there shall be no Letter of Credit in effect to provide funds for the purchase of Bonds on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the affected Bonds at the Tender Price (not including any premium).

(iv) In the case of any Conversion of any of the Bonds for which the Letter of Credit shall be in effect, the Trustee has received prior written confirmation from each Rating Agency maintaining a rating on such Bonds that such Conversion will not result in a reduction or withdrawal of the then current ratings on such Bonds.

(v) If a Letter of Credit will be in effect after the Conversion Date, in the case of any Conversion of the Bonds to any Long-Term Interest Rate Period, the term of the Letter of Credit shall extend to the earlier of the end of such Long-Term Interest Rate Period or the first optional redemption date during such Long-Term Interest Rate Period and the Trustee has received prior written confirmation from each Rating Agency maintaining a rating on the Bonds that such conversion will not result in a reduction or withdrawal of the then current long-term ratings on any of the Bonds.

Failure to Meet Conditions. In the event that any condition to the Conversion of any of the Bonds shall not have been satisfied as provided in the Indenture, then such Bonds shall bear interest at a Weekly Interest Rate commencing on the date which would have been the effective date of the Conversion, and such Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the Indenture.

Redemption Provisions

Optional Redemption. The Bonds bearing interest at a Weekly Interest Rate are subject to optional redemption by the Issuer, in whole or in part, at any time, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2009C Bonds shall be redeemed in part on the Interest Payment Dates and the Maturity Date listed below, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest thereon to the redemption date, in the principal amount set forth below next to such date:

Series 2009C Bonds

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
March 1, 2010	\$ 260,000	March 1, 2018	\$ 450,000
March 1, 2011	275,000	March 1, 2019	480,000
March 1, 2012	295,000	March 1, 2020	510,000
March 1, 2013	315,000	March 1, 2021	540,000
March 1, 2014	345,000	March 1, 2022	570,000
March 1, 2015	365,000	March 1, 2023	610,000
March 1, 2016	400,000	March 1, 2024*	650,000
March 1, 2017	420,000		

* Final Maturity

The Series 2009D Bonds shall be redeemed in part on the Interest Payment Dates and the Maturity Date listed below, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest thereon to the redemption date, in the principal amount set forth below next to such date:

Series 2009D Bonds

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
March 1, 2010	\$ 270,000	March 1, 2017	\$ 430,000
March 1, 2011	275,000	March 1, 2018	460,000
March 1, 2012	300,000	March 1, 2019	480,000
March 1, 2013	325,000	March 1, 2020	515,000
March 1, 2014	345,000	March 1, 2021	545,000
March 1, 2015	370,000	March 1, 2022	585,000
March 1, 2016	400,000	March 1, 2023*	460,000

* Final Maturity

On or before the 45th day next preceding any mandatory sinking fund redemption date for Bonds, the Issuer may deliver to the Trustee for cancellation Bonds of the appropriate maturity in any aggregate principal amount which have been purchased by the Issuer in the open market. Each Bond so delivered shall be credited by the Trustee at 100% of the principal amount thereof against the mandatory scheduled redemption requirement for Bonds on such mandatory redemption date; and any excess of such amount shall be credited against future mandatory scheduled redemption requirements in chronological order. The Issuer will, on or before the 45th day preceding each mandatory scheduled redemption date, along with the surrender of the Bonds, furnish the Trustee with a certificate, signed by an Issuer Representative, stating the extent to which the provisions of the first sentence of this paragraph are to be availed of with respect to such mandatory redemption requirements for such mandatory redemption date; unless such certificate is so timely furnished to the Trustee, the mandatory redemption requirements for such mandatory redemption date shall not be reduced under the provisions of the Indenture.

The mandatory sinking fund redemption requirements set forth in the Indenture are subject, however, to the provision that any partial redemption of any Bonds pursuant to optional redemption or Bank Bond redemption provisions shall reduce the mandatory scheduled redemption requirements relating to such Bonds. In the event of a partial redemption of Bonds pursuant to the optional redemption or Bank Bond redemption provisions, the Trustee shall allocate the principal amount of Bonds redeemed against the next Bonds to be redeemed under the mandatory sinking fund redemption requirements set forth in the Indenture.

Selection of Bonds to be Redeemed. In the case of any redemption in part of the Bonds, the Bonds to be redeemed shall be selected by the Issuer, subject to any requirements of the Indenture. A redemption of Bonds shall be a redemption of the whole or of any part of the Bonds, provided, that there shall be no partial redemption of less than \$5,000. If less than all the Bonds shall be called for redemption under any provision of the Indenture permitting such partial redemption, the particular Bonds to be redeemed shall be selected by the Issuer; provided, however (i) that the portion of any Bond to be redeemed under any provision of the Indenture shall be in the principal amount of \$5,000 or any multiple thereof, (ii) that, in selecting Bonds for redemption, the Issuer shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000, (iii) that, to the extent practicable, the Issuer will not select any Bond for partial redemption if the amount of such Bond remaining Outstanding would be reduced by such partial redemption to less than an Authorized Denomination and (iv) Bank Bonds shall be redeemed prior to any Bonds which are not Bank Bonds. If there shall be called for redemption less than all of a Bond, the Issuer shall execute and deliver and the Trustee shall authenticate, upon surrender of such Bond, and at the expense of the Issuer and without charge to the owner thereof, a replacement Bond in the principal amount of the unredeemed balance of the Bond so surrendered.

Procedure for Redemption. In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the Issuer, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal corporate trust office of the Trustee) and, if less than all of the Bonds are to be redeemed, the numbers of the Bonds, and the portions of the Bonds, to be so redeemed, (ii) state that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after such date (unless sufficient moneys are not available to the Trustee to pay the redemption price) and (iii) state any other condition to such redemption. CUSIP number identification shall accompany all redemption notices. Such notice may set forth any additional information relating to such redemption.

With respect to optional redemptions, such notice will be conditioned upon moneys being on deposit with the Trustee on or prior to the redemption date in an amount sufficient to pay the redemption price including redemption premium, if any, on the redemption date. If moneys are not received, such notice shall be of no force and effect, the Trustee shall not redeem such Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

Such notice shall be given by mail, postage prepaid, at least 15 days for Bonds bearing interest at Weekly or Short-Term Interest Rates and at least 30 days for other Bonds (or, in the case of acceleration of any Bonds pursuant to the Indenture, seven (7) days) but not more than 60 days prior to the date fixed for redemption to each Holder of Bonds to be redeemed at its address shown on the registration books kept by the Trustee; provided, however, that failure to give such notice to any Bondholder or any defect in such notice shall not affect the validity of the proceedings for the redemption of any of the other Bonds. The Trustee shall send a second notice of redemption by certified mail return receipt requested to any registered Holder who has not submitted Bonds called for redemption 30 days after the redemption date; provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the

validity of any proceedings for the redemption of any of the Bonds and the Trustee shall not be liable for any failure by the Trustee to send any second notice.

Any Bonds and portions of Bonds which have been duly selected for redemption and which are paid in accordance with the Indenture shall cease to bear interest on the specified redemption date.

Tender and Purchase of the Bonds

Bondholder Election of Tender for Purchase. During any Weekly Interest Rate Period, any Bonds (other than a Bank Bond) shall be purchased in an Authorized Denomination (provided that the amount of any such Bonds not to be purchased shall also be in an Authorized Denomination) from its Bondholder at the option of the Bondholder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of any Bonds, to the Trustee at its Principal Office and to the Remarketing Agent of an irrevocable written notice which states the principal amount of such Bonds, the principal amount thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh (7th) day after the date of the delivery of such notice to the Tender Agent, the Trustee and the Remarketing Agent. Any notice delivered to the Tender Agent, the Trustee and the Remarketing Agent after 4:00 p.m. (New York City time) shall be deemed to have been received on the next succeeding Business Day. For payment of the Tender Price on the Tender Date, such Bonds must be delivered at or prior to 10:00 a.m. (New York City time) on the Tender Date to the Tender Agent at its Principal Office for delivery of Bonds accompanied by an instrument of transfer, in form satisfactory to the Tender Agent executed in blank by the Bondholder or its duly-authorized attorney, with such signature guaranteed in form satisfactory to the Tender Agent.

During any Weekly Interest Rate Period for which the book-entry-only system is in effect, any Bonds bearing interest at the Weekly Interest Rate or portion thereof (provided that the principal amount of such Bonds to be purchased and the principal amount to be retained shall each be in Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the Participant, shall be delivered on any Business Day by the Participant for such Bonds to the Tender Agent at its Principal Office for the delivery of such Bonds, to the Trustee at its Principal Office and to the Remarketing Agent. That notice shall state the principal amount of such Bonds (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day at least seven (7) days after the date of delivery of such notice to the Tender Agent, the Trustee and the Remarketing Agent. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Bonds at least equal to the amount of Bonds specified in such irrevocable written notice, payment of the Tender Price of such Bonds shall be made by 4:00 p.m. (New York City time), or as soon as practicably possible thereafter, upon the receipt by the Trustee of the Tender Price as set forth in the Indenture on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Bonds tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 10:00 a.m. (New York City time), on the date specified in such notice.

Mandatory Tender for Purchase on a Conversion between Interest Rate Periods. Any affected Bonds shall be subject to mandatory tender for purchase at the Tender Price on the Conversion Date at the Tender Price, payable in immediately available funds in accordance with the Indenture. For payment of the Tender Price on the Tender Date, a Bond must be delivered at or prior to 10:00 a.m. (New York City time) on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day.

Mandatory Tender Upon Expiration of the Letter of Credit. The Bonds will be subject to mandatory tender for purchase on the 5th Business Day prior to the Expiration Date of the Letter of Credit if the Trustee has not received by the 30th day preceding the scheduled expiration or termination date either written confirmation by the Letter of Credit Provider of an extension of the then existing Letter of Credit or an

Alternate Letter of Credit meeting the requirements set forth in the Indenture. The Trustee shall draw as necessary on the existing Letter of Credit in accordance with the terms of the Indenture rather than the Alternate Letter of Credit, and the Trustee shall not surrender the existing Letter of Credit until the purchase of the Bonds has been effected pursuant to this subsection.

Mandatory Tender Upon Substitution of Alternate Letter of Credit. The Bonds will be subject to mandatory tender for purchase on the date of substitution of an Alternate Letter of Credit for the then existing Letter of Credit. If a purchase of Bonds is effected in connection with the substitution of an Alternate Letter of Credit, the existing Letter of Credit, if necessary, will be used to provide funds for such purchase, rather than the Alternate Letter of Credit, and the Trustee shall not surrender the existing Letter of Credit until the purchase of the Bonds has been effected pursuant to the Indenture. No such mandatory tender will be effected upon the replacement of a Letter of Credit in the case where the Letter of Credit Provider has wrongfully dishonored a drawing under the Letter of Credit.

Mandatory Tender Upon Event of Default Under Reimbursement Agreement. The Bonds will be subject to mandatory tender for purchase on the 4th day (or if such day is not a Business Day, the 1st Business Day preceding such day) following receipt by the Trustee of written notice from the Letter of Credit Provider, as provided in the Reimbursement Agreement, stating that an Event of Default has occurred and is continuing under the Reimbursement Agreement and directing the Trustee to give notice that all of the Bonds Outstanding will be deemed tendered for purchase under the Indenture and directing the Trustee to draw on the Letter of Credit to pay the Tender Price of such Bonds on the mandatory tender date.

Payment of the Tender Price of any such Bonds shall be made in immediately available funds by 3:00 p.m. on the Tender Date upon delivery of such Bonds to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder with the signature of such Bondholder guaranteed in form satisfactory to the Tender Agent, by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m. (New York City time) on the Tender Date specified in the Indenture. If, as a result of any such expiration, termination with notice or replacement of such a Letter of Credit, any Bonds are no longer subject to purchase pursuant to the Letter of Credit, the Tender Agent (upon receipt from the Holder thereof in exchange for payment of the Tender Price thereof) shall present such Bonds to the Trustee for notation of such fact thereon.

Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of Bonds in accordance with the tender requirements set forth in the Indenture, the Trustee shall give the notice required by the Indenture as a part of the other notices given pursuant to the Indenture. Such notice shall state (i) in the case of a mandatory tender for purchase pursuant to a Conversion between Interest Rate Periods, such Interest Rate Period shall commence on the mandatory purchase date; (ii) in the case of a mandatory tender for purchase relating to the substitution of an Alternate Letter of Credit, the identity of the provider of the Alternate Letter of Credit and its rating, and (iii) in the case of a mandatory tender for purchase relating to the expiration of the Letter of Credit, that the Letter of Credit will expire or terminate and that the Bonds will no longer be payable from the Letter of Credit then in effect and that any rating applicable to such Bonds may be reduced or withdrawn; (iv) that the Tender Price of any Bonds subject to mandatory tender for purchase shall be payable only upon surrender of that Bond to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (v) that, provided that moneys sufficient to effect such purchase shall have been provided through the remarketing of such Bonds by the Remarketing Agent, through the Letter of Credit or funds provided by the Issuer, all Bonds subject to mandatory tender for purchase shall be purchased on the Tender Date; and (vi) that if any Holder of a Bond subject to mandatory tender for purchase does not surrender the Bonds to the Tender Agent for purchase on the mandatory Tender Date, then the Bonds shall be deemed to be Undelivered

Bonds, that no interest shall accrue on the Bonds on and after the mandatory Tender Date and that the Holder shall have no rights under the Indenture other than to receive payment of the Tender Price.

Irrevocable Notice Deemed to be Tender of Bonds; Undelivered Bonds. The giving of notice by a Holder of Bonds relating to the optional tender for purchase of their Bonds shall constitute the irrevocable tender for purchase of each Bond with respect to which such notice is given regardless of whether that Bond is delivered to the Tender Agent for purchase on the relevant Tender Date.

The Tender Agent may refuse to accept delivery of any Bonds for which a proper instrument of transfer has not been provided. However, such refusal shall not affect the validity of the purchase of such Bonds as described in the Indenture. If any Holder of a Bond who has given notice of tender of purchase pursuant to the optional tender for purchase of their Bonds or any Holder of a Bond subject to mandatory tender for purchase, shall fail to deliver that Bond to the Tender Agent at the place and on the Tender Date and at the time specified, or shall fail to deliver that Bond properly endorsed, that Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the Holder thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (i) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Indenture; (ii) interest shall no longer accrue on the Undelivered Bond; and (iii) funds in the amount of the Tender Price of the Undelivered Bond shall be held uninvested by the Trustee for the benefit of the Holder thereof (provided that the Holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its Principal Office for delivery of Bonds.

Payment of Tender Price by Issuer. If all or a portion of the Bonds tendered for purchase cannot be remarketed and the Letter of Credit Provider fails to purchase all or any part of the unremarketed portion of such tendered Bonds in accordance with the Letter of Credit on a Tender Date, the Issuer may at its option, but shall not be obligated to, pay to the Tender Agent as soon as practicable on a Tender Date immediately available funds (together with any remarketing proceeds and any funds provided under the Letter of Credit) sufficient to pay the Tender Price on the Bonds tendered for purchase. The Tender Agent shall deposit the amount paid by the Issuer, if any, in the Issuer Purchase Account of the corresponding series of Bonds, pending application of the money to the payment of the Tender Price as set forth in the Indenture.

Delivery Address for Tender Notices and Tendered Bonds. Notices in respect of tenders for purchase at the election of Bondholders during a Weekly Interest Rate Period subject to optional and mandatory purchase as described above must be delivered to the Tender Agent.

Purchase of Bonds; Sources and Deposits of Tender Price. Bonds required to be purchased in accordance with the Indenture shall be purchased from the Holders thereof, on the Tender Date and at the Tender Price. Funds for the payment of the Tender Price shall be received by the Tender Agent from the following sources and used in the order of priority indicated:

- (i) proceeds of the sale of Bonds remarketed pursuant to the Indenture and the Remarketing Agreement and furnished to the Tender Agent by the Remarketing Agent for deposit into the Remarketing Account of the Bond Purchase Fund for such Bonds;
- (ii) money furnished by the Letter of Credit Provider to the Tender Agent for deposit into the Letter of Credit Purchase Account of the Bond Purchase Fund for such Bonds, from Requests on the Letter of Credit, if any (provided that moneys from Requests on the Letter of Credit shall not be used to purchase Bank Bonds or Bonds from the Issuer); and
- (iii) money, if any, furnished by the Issuer at its option to the Tender Agent for deposit into the Issuer Purchase Account of the Bond Purchase Fund for such Bonds for the purchase of such Bonds by the Issuer.

Money held in each Bond Purchase Fund shall be held uninvested by the Tender Agent.

Inadequate Funds for Tenders. If sufficient funds are not available for the purchase of all Bonds tendered or deemed tendered and required to be purchased on any Tender Date, all such Bonds shall be returned to their respective Holders. Thenceforth, all Bonds shall bear interest at the lesser of the SIFMA Index plus three percent (Series 2009C Bonds) or the One Month LIBOR Rate plus three percent (Series 2009D Bonds) and the Maximum Bond Interest Term Rate from the date of such failed purchase until all such Bonds are purchased as required in accordance with the Indenture, either from proceeds obtained from remarketing proceeds from the Remarketing Agent or proceeds obtained from the Letter of Credit or an Alternate Letter of Credit obtained by the Issuer. Notwithstanding any other provision of the Indenture, such failed purchase and return shall not constitute an Event of Default.

Undelivered Bonds; Tender Price. If a Bond purchased as provided in the Indenture is not presented to the Tender Agent, the Tender Agent shall segregate and hold uninvested the money for the Tender Price of such Tender Bond in trust for the benefit of the former Holder of such Bonds, who shall, except as provided in the following sentences of this paragraph, thereafter be restricted exclusively to such money for the satisfaction of any claim for the Tender Price. Any money which the Tender Agent segregates and holds in trust for the payment of the Tender Price of any Bonds which remains unclaimed for two years after the date of purchase shall be paid to the Issuer, without liability for interest thereon. After the payment of such unclaimed money to the Issuer, the former Holder of such Bonds shall look only to the Issuer for the payment thereof. The Issuer shall not be liable for any interest on unclaimed money and shall not be regarded as a trustee of such money.

Book-Entry Tender and Delivery Procedures. Notwithstanding anything to the contrary contained in the Indenture, for so long as DTC's nominee is the sole registered owner of the Bonds, all tenders for purchase and deliveries of Bonds tendered for purchase or subject to mandatory tender under the provisions of the Indenture will be made pursuant to the Securities Depository's procedures as in effect from time to time and neither the Issuer, the Tender Agent, the Trustee nor the Remarketing Agent will have any responsibility for or liability with respect to the implementation of such procedures.

Remarketing

In General. Upon a mandatory tender (other than for an Event of Default under the Reimbursement Agreement) or notice of tender for purchase of Bonds, the Remarketing Agent shall offer for sale and use its best efforts to sell such Bonds on the same date designated for purchase thereof in accordance with the Indenture and, if not remarketed on such date, thereafter until sold, at a price equal to par plus accrued interest. Bonds which have been tendered and purchased as a result of an Event of Default under the Reimbursement Agreement shall not be remarketed unless such Bonds are converted to a Fixed Interest Rate Period or unless an Alternate Letter of Credit is in full force and effect with respect to such Bonds or unless there has been a cure of the Event of Default under the Reimbursement Agreement and the Letter of Credit has been reinstated prior to the applicable mandatory tender date. If at any time there are Bank Bonds, the Remarketing Agent shall offer for sale and use its best efforts to sell such Bank Bonds to prospective purchasers at par and at interest rates up to and including the Maximum Bond Interest Rate. Bonds shall not be remarketed to the Issuer.

The Remarketing Agent shall not remarket any Bond that is optionally tendered as to which a notice of redemption or a notice of mandatory tender has been given by the Trustee if the purchase date would occur on or after the 10th day prior to the redemption date or mandatory tender date, unless the Remarketing Agent consents and has notified the Person to whom the sale is made of the redemption notice or mandatory tender notice, and shall not in any event remarket any such Bond if the purchase date would occur on or after the 2nd day prior to the redemption date or mandatory tender date.

The Remarketing Agent shall not remarket any Bonds under the Indenture (i) during the continuance of an Event of Default under the Indenture of which the Remarketing Agent has notice, unless the purchaser of such Bonds is given notice of such Event of Default, or (ii) if a Letter of Credit is in effect and if directed in writing by the Letter of Credit Provider following the occurrence of an Event of Default the Trustee has declared the principal of, premium, if any, and interest on the affected Bonds to be immediately due and payable pursuant to the Indenture, or (iii) if no Letter of Credit is in effect.

Notice of Rates and Terms. The Remarketing Agent shall determine the rate of interest for Bonds during each Interest Rate Period and shall furnish to the Trustee, the Issuer and the Letter of Credit Provider no later than the Business Day next succeeding the date of determination each rate of interest so determined by telephone or telecopy, promptly confirmed in writing. In lieu of the notification provided in the preceding sentence, the Remarketing Agent may make such information available by readily accessible electronic means.

Notice of Purchase and Remarketing. The Remarketing Agent shall give notice by facsimile transmission, telephone telecopy, e mail or similar electronic means promptly confirmed by a written notice, to the Trustee and the Tender Agent on each date on which Bonds have been purchased pursuant to the Indenture specifying the principal amount of such Bonds, if any, sold by it pursuant to the Indenture along with a list of the purchasers showing the names and denominations in which such Bonds shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers.

See the caption “**INVESTMENT CONSIDERATIONS AND RISKS – Special Considerations Relating to the Bonds**” in this Official Statement.

Book-Entry System

The information provided immediately below concerning DTC and the Book-Entry System, as it currently exists, has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter or the Issuer. The Underwriter and the Issuer make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described below or in a timely manner.

General. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system (the “**Book-Entry System**”) maintained by DTC. DTC will act as securities depository for the Bonds. Initially, the Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). The following discussion will not apply to any Bonds issued in certificate form due to the discontinuance of the DTC Book-Entry-Only System, as described below.

DTC and its Participants. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all which are registered clearing agencies. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities

brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “**Indirect Participants**” and collectively with the Direct Participants, the “**Participants**”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com> and <http://www.dtc.org>.

Purchase of Ownership Interests. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “**Beneficial Owner**”) is, in turn, to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

So long as Cede & Co., as nominee of DTC, is the registered owner of any of the Bonds, the Beneficial Owners of such Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the bondowners or registered owners of such Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of such Bonds.

Transfers. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the securities as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date identified in a listing attached to the Omnibus Proxy.

Payments of Principal and Interest. So long as any Bond is registered in the name of DTC’s nominee, all payments of principal of, premium, if any, and interest on such Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Issuer or the Paying Agent or Bond Registrar, on payable dates in accordance with their respective

holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee or the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of direct and Indirect Participants.

Discontinuation of Book-Entry-Only System. DTC may discontinue providing its services as a securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Bonds are required to be printed and delivered as described in the Bond Indenture.

The use of the system of book-entry transfers through DTC (or a successor securities depository) may be discontinued as described in the Bond Indenture. In that event, the Bonds will be printed and delivered as described in the Bond Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer does not take any responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations; Sources of Payment

The Bonds and the interest thereon shall be special, limited obligations of the Issuer payable solely out of the Appropriated Moneys, any Revenues deposited with the Trustee and all of the Issuer's rights and obligations under the Financing Agreement and moneys in certain funds and accounts held by the Trustee under the Indenture as described in the next paragraph defining the Trust Estate, and are secured by a transfer, pledge and assignment of and a grant of a security interest in the Trust Estate to the Trustee and in favor of the owners of the Bonds, as provided in the Indenture. The Bonds and interest thereon shall not be deemed to constitute a debt or liability of the Issuer within the meaning of any constitutional, statutory or charter limitation or provision, and shall not constitute a pledge of the full faith and credit of the Issuer, but shall be payable solely from the funds provided for in the Indenture. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the Issuer to levy any form of taxation therefor or to make any appropriation for their payment.

The "**Trust Estate**" consists of (a) all right, title and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) in, to and under (i) any Appropriated Funds, (ii) any Revenues deposited with the Trustee and all of the Issuer's rights and obligations under the Financing Agreement, and (iii) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the proceeds of the Bonds; and (b) all other all other moneys and securities from time to time held by the Trustee under the terms of the Indenture (excluding amounts held in the Bond Purchase Fund as defined in the Indenture), and any and all other property (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder by the Issuer, or by anyone in its behalf or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms in the Indenture.

In connection with the issuance of the Bonds, the Issuer, the Commission and the Trustee will enter into a Financing Agreement, pursuant to which the Issuer covenants to transfer to the Trustee for deposit in the Revenue Fund, Payments in Lieu of Taxes and, subject to annual appropriation, Economic Activity Tax Revenues generated within the Redevelopment Project Areas 1 and 2. Payments from appropriations of City Revenues under the Indenture are expected to be made only to the extent that TIF Revenues are not sufficient to pay debt service on the Bonds in any year.

The Bonds do not constitute a general obligation of the Issuer or the Commission and do not constitute an indebtedness of the Issuer, the Commission, the State or any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and do not constitute a pledge of the faith and credit of the Issuer, the Commission, the State or any political subdivision thereof. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the Issuer, the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The Commission has no taxing power.

No recourse shall be had for the payment of the principal of or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture or the Financing Agreement contained, against any past, present or future elected official of the Commission or the Issuer or any trustee, officer, official, employee or agent of the Commission or the Issuer, under any rule of law or equity, statutes or constitution or by the enforcement of any assessment or penalty or otherwise.

The Bonds and the interest thereon shall be special, limited obligations of the Issuer payable solely out of the Appropriated Moneys, any Revenues deposited with the Trustee and all of the Issuer's rights and obligations under the Financing Agreement and moneys in the funds and accounts held by the Trustee under the Indenture, and are secured by a transfer, pledge and assignment of and a grant of a security interest in the Trust Estate to the Trustee and in favor of the owners of the Bonds, as provided in the Indenture. The Bonds and interest thereon shall not be deemed to constitute a debt or liability of the Issuer within the meaning of any constitutional, statutory or charter limitation or provision, and shall not constitute a pledge of the full faith and credit of the Issuer, but shall be payable solely from the funds provided for in the Indenture. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the Issuer to levy any form of taxation therefor or to make any appropriation for their payment.

Pursuant to the Indenture, the Issuer has pledged, as security for the payment of the Bonds, all of its rights and interests in the Trust Estate. The Issuer has covenanted in the Indenture that the Issuer officer responsible for formulating the Issuer budget will be directed to include in the budget proposal submitted to the City Council in each fiscal year that the Bonds are outstanding a request for an appropriation in an amount equal to the principal of and interest on the Bonds during the next fiscal year of the Issuer which appropriated amount, or portion thereof, may be transferred to the Trustee at the times and in the manner provided in the Indenture. It is the intention of the Issuer that the decision to appropriate or not to appropriate under the Indenture will be made solely by the City Council and not by any other official of the Issuer.

Annual Appropriation

The Issuer intends, on or before the last day of each Fiscal Year, to budget and appropriate, specifically with respect to the Indenture, moneys sufficient to pay all the Debt Service Payments and reasonably estimated Additional Payments for the next succeeding Fiscal Year. The Issuer shall deliver written notice to the Letter of Credit Provider and the Trustee no later than 15 days after the commencement of its Fiscal Year stating whether or not the City Council has appropriated funds sufficient for the purpose of paying the Debt Service Payments and Additional Payments reasonably estimated to become due during such Fiscal Year. If the City Council shall have made the appropriation necessary to pay the Debt Service Payment and reasonably estimated Additional Payments to become due during such Fiscal Year, the failure of the Issuer to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year

shall not constitute an Event of Nonappropriation and, on failure to receive such notice 15 days after the commencement of the Issuer's Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If the City Council shall not have made the appropriation necessary to pay the Debt Service Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the Issuer to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

Application of Certain Funds under the Indenture

The Issuer and the Commission shall transfer or cause to be transferred all Revenues to the Trustee for deposit into the Revenue Fund in accordance with the Financing Agreement and the Indenture. Moneys in the Revenue Fund shall be held in trust and shall be applied by the Trustee first from the TIF Revenues Account and second from the City Revenue Account as follows:

(i) To the Rebate Fund, with respect to the Series 2009C Bonds, when necessary, an amount sufficient to pay rebate, if any, to the United States of America, owned under Section 148 of the Code, as directed in writing by the Issuer in accordance with the Arbitrage Instructions;

(ii) The Trustee shall transfer Eligible Moneys from the Revenue Fund to the Eligible Moneys Account and all other amounts therein to the Non-Eligible Moneys Account of the Debt Service Fund, as applicable, on the Business Day prior to any Interest Payment Date or date on which the Bonds are subject to mandatory sinking fund redemption pursuant to the Indenture the amounts required to pay any principal or interest due on the Bonds or Regularly Scheduled Payments, if any, on such Interest Payment Date or date on which the Bonds are subject to mandatory sinking fund redemption pursuant to the Indenture;

(iii) To the Trustee or any Paying Agent, an amount sufficient for the payment of any reasonable fees and expenses which are due and owing to the Trustee or any Paying Agent, upon delivery to the City of an invoice for such amounts, and to the Remarketing Agent, an amount sufficient for payment of its remarketing fees and expenses in accordance with the Remarketing Agreement, upon delivery to the Trustee of an invoice for such amount or to the Rating Agency, an amount sufficient to pay any surveillance fees in connection with the Bonds;

(iv) To the Letter of Credit Provider for payment of fees and expenses in accordance with the Letter of Credit, or to reimburse the Issuer for such payment, unless the Issuer has otherwise been reimbursed for such amounts;

(v) To the Issuer for reimbursement for payment of Debt Service Payments and Additional Payments made by the Issuer from City Revenues;

(vi) To the Commission and the Issuer, an amount sufficient to reimburse the Commission and the Issuer for their reasonable administrative and professional service fees, costs and expenses (including staff time) in connection with the performance of their obligations under the Redevelopment Plan and the Redevelopment Agreement, upon delivery to the Trustee of an invoice for such amounts;

(vii) To the Commission for the payment of reimbursable project costs under the Redevelopment Plan and the Redevelopment Agreement; and

(viii) After each Principal Payment Date, if so directed by the Issuer, to the Redemption Account of the Debt Service Fund, an amount sufficient to redeem Bonds in whole or in part pursuant to the Indenture.

Upon the payment in full of the principal of and interest on the Bonds (or provision has been made for the payment thereof as specified in the Indenture) and the reasonable fees, charges and expenses of the Trustee and any Paying Agent and any amounts due the Letter of Credit Provider, and any other amounts required to be paid under the Indenture, all amounts remaining on deposit in the TIF Revenues Account of the Revenue Fund shall be paid to the Commission for deposit into the Special Allocation Fund.

The Letter of Credit

All payments of principal of and interest on the Bonds, and the Tender Price of Bonds tendered for payment (to the extent not paid from the proceeds of the remarketing thereof), are to be made from amounts drawn under the Letter of Credit or any Alternate Letter of Credit so long as the Letter of Credit or any Alternate Letter of Credit remains in effect under the Indenture. Under the Indenture, the Trustee is directed to draw on the Letter of Credit to pay when due the principal of and interest on the Bonds and to make any necessary payments of the purchase price of Bonds tendered for payment, by submitting a draw request to the Letter of Credit Provider on or before the required payment date. See the caption “**THE LETTER OF CREDIT**” in this Official Statement and **Appendix E** to this Official Statement.

Enforceability

The remedies available upon an “event of default” under the Indenture will, in many respects, be dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy code or in the Indenture may not be readily available or may be limited. The various legal opinions to be delivered with the Indenture and the Bonds have been and will be qualified as to the enforceability of the various legal instruments by reference to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors.

Remedies of Bondholders

Remedies under the Indenture available to the Trustee on behalf of the Bondholders and, subject to certain conditions, to the Bondholders directly, are described in the summary of the Indenture contained in **Appendix B** to this Official Statement. In addition to the remedies therein described, the Trustee and, subject to certain conditions, the Bondholders directly, are entitled under the Missouri Uniform Commercial Code to all remedies as secured parties in respect of the Trust Estate, as defined in the Indenture.

THE LETTER OF CREDIT

The following, in addition to the information provided elsewhere in this Official Statement, summarizes certain provisions of the Reimbursement Agreement. Reference is hereby made to the Reimbursement Agreement for the detailed terms and provisions thereof. This summary does not purport to be complete or definitive and is qualified in its entirety by references to the Reimbursement Agreement for the detailed provisions thereof. Terms defined in this section shall have that meaning only for the purposes of this section, unless the context clearly requires otherwise. Capitalized terms used under this caption but not otherwise defined herein have the respective meanings given to such terms in the Reimbursement Agreement.

The Letter of Credit

The Letter of Credit Provider will deliver the Letter of Credit to the Trustee concurrently with the issuance and delivery of the Bonds. The Letter of Credit constitutes the irrevocable obligation of the Letter of Credit Provider to pay to the Trustee upon timely request up to \$12,375,837.00 (the “**Stated Amount**”), consisting of \$12,245,000.00 which may be drawn for the purpose of paying the principal or the principal portion of the purchase price of the Bonds (the “**Principal Stated Amount**”) and \$130,837.00 (an amount equal to 39 days of interest computed at the rate of 10% per annum) for the purpose of paying interest on or the interest portion of the purchase price of the Bonds (the “**Interest Stated Amount**”). The Letter of

Credit will terminate on April 8, 2010 (the “**Stated Expiration Date**”) unless extended or earlier terminated. The Letter of Credit is also subject to reduction, as hereinafter described. **THE LETTER OF CREDIT DOES NOT SECURE THE PAYMENT OF ANY PREMIUM ON THE BONDS.**

The Letter of Credit provides that the Letter of Credit Provider will pay to the Trustee up to the Stated Amount (subject to the Principal Stated Amount and Interest Stated Amount limitations referred to above) upon presentation by the Trustee to the Letter of Credit Provider of appropriate payment documents stating that a payment on the Bonds is due and indicating whether such draw is for the purpose of paying principal, interest or the purchase price of the Bonds. Under the Indenture, the Trustee is directed to draw under the Letter of Credit to pay, when due, the principal of and interest on the Bonds and to make any necessary payments of the purchase price of such Bonds tendered for purchase to the extent remarketing proceeds received by the Trustee are insufficient, by submitting a draw request to the Letter of Credit Provider on or before the date and time required to receive funds on the required payment date.

The Stated Amount available under the Letter of Credit will be reduced automatically by the amount of any drawing thereunder; provided, however, that the amount of any interest drawing thereunder, less the amount of the reduction in the Stated Amount attributable to payment of a drawing to pay the purchase price of Bonds tendered for purchase (a “**Liquidity Drawing**”) shall be automatically reinstated following any interest drawing. After payment by the Letter of Credit Provider of a Liquidity Drawing, the amount available to be drawn under the Letter of Credit will be automatically reduced by the amount specified in the related Liquidity Drawing certificate. In addition, in the event of the remarketing of the Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the amount available to be drawn under the Letter of Credit will be automatically reinstated upon the submission by the Trustee of a certificate in the form set forth in the Letter of Credit to the Letter of Credit Provider, which certificate is expected to be submitted to the Letter of Credit Provider when and to the extent, but only when and to the extent, that the Letter of Credit Provider is reimbursed for any amount drawn under the Letter of Credit pursuant to such Liquidity Drawing.

The Letter of Credit will expire on the earliest to occur of: (i) April 8, 2010 (or if such day is not a Business Day, on the next succeeding Business Day) (the “**Stated Expiration Date**” or the “**Scheduled Expiration Date**”), (ii) the date on which the Bank receives notice from the Trustee in the form set forth in the Letter of Credit stating that either (A) all of the Bonds have been converted to Bonds bearing interest at a rate other than the Daily Interest Rate or the Weekly Interest Rate, (B) all of the outstanding Bonds have been paid or redeemed, or (C) an Alternate Letter of Credit has been issued to replace the Letter of Credit and has become effective following a mandatory tender of the Bonds pursuant to the provisions of the Indenture, (iii) the fifteenth (15th) day following the date of receipt by the Trustee of written notice from the Bank that an “Event of Default” (as defined in the Reimbursement Agreement) has occurred and is continuing, (iv) the date on which the Bank honors the final drawing available to be made under the Letter of Credit which is not subject to reinstatement, and (v) the date on which the Letter of Credit is surrendered by the Trustee to the Bank for cancellation, including with respect to a substitution (the earliest of such dates being hereinafter referred to as the “**Expiration Date**”).

The Reimbursement Agreement

The Letter of Credit will be issued pursuant to the terms of the Reimbursement Agreement. Under the Reimbursement Agreement, the Issuer is obligated to repay, or cause to be repaid, to the Letter of Credit Provider an amount equal to the amounts drawn on the Letter of Credit, together with interest on such amounts, payable at the times set forth in the Reimbursement Agreement, plus certain fees and expenses in respect of the Letter of Credit. Under the Reimbursement Agreement, the Letter of Credit Provider will also agree that certain Liquidity Drawings for which the Letter of Credit Provider has not been reimbursed will constitute term loans to the City payable as provided in the Reimbursement Agreement, provided there does

not then exist any “event of default” or any event which, with the giving of notice or lapse of time or both, would constitute an “event of default” under the Reimbursement Agreement.

The Reimbursement Agreement contains certain representations, warranties, covenants and agreements relating to the Issuer, which are for the benefit of the Letter of Credit Provider only. **These covenants are exclusively for the benefit of the Letter of Credit Provider and may be waived, modified or enforced as the Letter of Credit Provider may determine.**

Events of Default. The existence or occurrence of any one or more of the following events shall constitute an Event of Default under the Reimbursement Agreement:

(a) default in the repayment of any amount of principal of any Advance when and as due as provided in the Reimbursement Agreement;

(b) default in the payment of any Obligation (other than an Advance) required to be paid or reimbursed under the Reimbursement Agreement to the Bank when and as due as therein provided and such default in payment shall continue for five (5) Business Days;

(c) any representation or warranty made by the Issuer in the Reimbursement Agreement or in any other Related Document or in any certificate, agreement, instrument or statement contemplated by or made or delivered pursuant to or in connection therewith, shall prove to have been false or misleading in any material respect when made or when effective or when reaffirmed, as the case may be;

(d) any default or event of default shall have occurred under the Indenture or any of the other Related Documents (as defined respectively therein), other than any such default or event of default premised on any occurrence described in subsection (i) below;

(e) default in the due observance or performance of certain covenants set forth in the Reimbursement Agreement;

(f) default in the due observance or performance of any term, covenant or agreement set forth in the Reimbursement Agreement (other than as described in subsections (a), (b), (e) and (i) hereof) for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the Issuer by the Bank;

(g) (i) the Reimbursement Agreement, the Bonds, the Ordinance, the Indenture or any Related Document, or any provision thereof, in each case, relating to the obligation of the Issuer to make payments on the Bonds (including Pledged Bonds) or any Parity Debt or the security therefor shall, at any time for any reason, cease to be valid and binding on the Issuer or shall be declared null and void or its validity or enforceability shall be contested by the Issuer, in a judicial proceeding or any official action; or (ii) (A) the Issuer repudiates or otherwise denies, in writing, in a judicial or administrative proceeding that it has any further liability or obligation under the Reimbursement Agreement or with respect to the Bonds, (B) the Issuer or the State, as applicable, shall have taken or permitted to be taken any action, or the State has duly enacted any statute, which would materially and adversely affect the enforceability of the Bonds or (C) the Issuer or the State, as applicable, contests, in a judicial or administrative proceeding, the validity or enforceability of any material provision of the Reimbursement Agreement, the Bonds, the Indenture or any other Related Document relating to or otherwise affecting the Issuer’s obligation to pay the principal of or interest on any Bonds (including any Pledged Bonds);

(h) the Issuer makes an assignment for the benefit of creditors, files a petition in bankruptcy, is unable generally to pay its debts as they come due, is adjudicated insolvent or bankrupt

or there is entered any order or decree granting relief in any involuntary case commenced against it under any applicable bankruptcy, insolvency or similar law now or hereafter in effect; or if the Issuer petitions or applies to any tribunal for any receiver, trustee, liquidator, assignee, custodian, sequestrator or other similar official of it, or of any substantial part of its properties, or commences any proceeding in a court of law for a reorganization, readjustment of debt, dissolution, liquidation or other similar procedure under the law or statutes of any jurisdiction, whether now or hereafter in effect; or if there is commenced against the Issuer any such proceeding in a court of law which remains undismissed or shall not be discharged, vacated or stayed, or such jurisdiction shall not be relinquished, within sixty (60) days after commencement; or the Issuer by any act indicates its consent to, approval of, or acquiescence in any such proceeding in a court of law, or to an order for relief in an involuntary case commenced against it under any such law, or to the appointment of any receiver, trustee, liquidator, assignee, custodian, sequestrator or other similar official for it or a substantial part of its properties; or if the Issuer suffers any such receivership, trusteeship, liquidation, assignment, custodianship, sequestration or other similar procedure to continue undischarged for a period of sixty (60) days after commencement or if the Issuer takes any action for the purposes of effecting the foregoing;

(i) (i) any default in the payment when due of the principal, premium, if any, or interest payable on (x) any Bond (including any Pledged Bond), (y) any Parity Debt or (z) any Appropriation Debt (A) that is publicly rated by one or more of the Rating Agencies, (B) that consists of bonds or other securities or instruments that are publicly offered or privately placed or (C) as to which such default results in the declaring due and payable of any Appropriation Debt described in subclause (A) or (B) or which enables (or, with the giving of notice or lapse of time, or both, would enable) the holder of any Appropriation Debt described in subclause (A) or (B) to accelerate the maturity thereof, or (ii) any default under any indenture, agreement or other instrument under which any Debt described in clause (i) may be issued, which default results in the declaring due and payable of such Debt or which enables (or, with the giving of notice or lapse of time, or both, would enable) the holder of such Debt to accelerate the maturity of any such Debt;

(j) (i) any amendment to the Constitution of the State or any amendment to any statute is enacted which materially adversely affects the enforceability of the Reimbursement Agreement against the Issuer, or (ii) the Issuer takes or permits to be taken any action which materially and adversely affects the ability of the Issuer to repay its Obligations under the Reimbursement Agreement or limits or restricts the sources to which the Bank may look for the payment of such Obligations;

(k) one or more judgments for the payment of money and not fully covered by insurance (including self-insurance to the extent evidenced by reserves in the form of liquid assets), the operation or result of which, individually or in the aggregate, equals or exceeds \$10,000,000, which judgment or judgments shall not have been appealed or shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days; or

(l) the long-term rating (without regard to any credit enhancement) of any rated Parity Debt or rated Appropriation Debt is lowered below "Baa2" (or its equivalent) by Moody's or "BBB+" (or its equivalent) by S&P, or either such long-term rating is suspended or withdrawn.

Remedies Upon the Occurrence of any Event of Default. Upon the occurrence and continuance of an Event of Default under the Reimbursement Agreement, and notice thereof to the Issuer and the Trustee, the Bank may, in its sole discretion, but shall not be obligated to, exercise any or all of the following remedies:

(a) by written, electronic or telephonic notice (promptly confirmed in writing) give notice to the Trustee of such Event of Default, whereupon the Trustee shall declare all Bonds (including without limitation any Pledged Bonds) then outstanding subject to mandatory tender in

accordance with the Indenture, and that the Letter of Credit will terminate on the fifteenth (15th) day after which the Trustee receives such notice; and

(b) by written notice to the Issuer, cause all amounts payable under the Reimbursement Agreement to become immediately due and payable, with interest thereon at the Default Rate; and

(c) exercise all or any of its rights and remedies as it may otherwise have under Applicable Law and under the Reimbursement Agreement and the Indenture or otherwise by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or other jurisdiction, either for specific performance of any covenant or agreement contained in the Indenture or the Reimbursement Agreement, or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy.

No remedy conferred or reserved in the Reimbursement Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Reimbursement Agreement or any other Related Document now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance under the Reimbursement Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to exercise any remedy reserved to the Bank in the Reimbursement Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required therein. In the event any provision contained in the Reimbursement Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder. No waiver, amendment, release or modification of the Reimbursement Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties thereto duly authorized by the Reimbursement Agreement.

The Letter of Credit Provider

See **Appendix E** to this Official Statement for information relating to the Letter of Credit Provider.

INVESTMENT CONSIDERATIONS AND RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the appendices hereto, and additional information in the form of the complete documents summarized herein and in the appendices hereto, copies of which are available as described herein.

In General

The Bonds and the interest thereon are special, limited obligations of the Issuer, payable solely from the Appropriated Funds described herein under the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**” and not from any other fund or source of the Issuer. Subject to annual appropriation, the Bonds and the interest thereon, are payable from the general municipal revenues of the Issuer. No representation or assurance can be given that revenues will be realized in amounts sufficient to make such payments under the Indenture with respect to the Bonds. The risk factors discussed below should be considered in evaluating the ability of sufficient revenues being generated and appropriated, when applicable.

The Letter of Credit Provider

The obligations of the Letter of Credit Provider under its Letter of Credit are general obligations of the Letter of Credit Provider and rank equally in priority of payments and in all other respects with all other unsecured obligations of such Letter of Credit Provider. However, in the event that the Letter of Credit Provider or the issuer of any Alternate Letter of Credit is unable to meet its obligations under the Letter of Credit or Alternate Letter of Credit, as the case may be, no assurances can be given that the funds will be available from other sources to make payments of principal of or interest on the Bonds, and the sole source of payment of the Bonds would be Appropriated Funds received by the Trustee from the Issuer and certain amounts held under the Indenture.

Limitations of the Letter of Credit

The ratings on of the Bonds could be downgraded or withdrawn if the Letter of Credit Provider were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Letter of Credit.

The ability to obtain funds under the Letter of Credit in accordance with its terms may be limited by federal or state law. Banks generally are required by law to honor letters of credit, even if a dispute were to develop between a bank and its customer. The defenses allowed by law to the payment of draws on letters of credit are limited to specified circumstances. If one of those circumstances were to occur, however, it is possible that the Letter of Credit Provider would fail to make a payment when due under the Letter of Credit.

Enforcement of Remedies

Enforcement of the remedies available to the Trustee and the Bondowners, including those under the Indenture, are in many respects dependent upon judicial action which is often subject to discretion and delay, may be limited or restricted by federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors and by application of general principles of equity and may be substantially delayed in the event of litigation or statutory remedy procedures. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles which shall limit the specific enforcement under laws of the State as to certain remedies; to the exercise by the United States of America of the powers delegated to it by the United States Constitution; and to the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of Missouri and its governmental bodies, in the interest of serving an important public purpose.

Risk of Non-Appropriation

The application of Appropriated Funds to the payment of the principal of and interest on the Bonds is subject to annual appropriation by the Issuer. Although the Issuer has covenanted in the Indenture that the appropriation of such monies will be included in the budget submitted to the City Council for each fiscal year, there can be no assurance that such appropriation will be made by the City Council, and the City Council is not legally obligated to make any such appropriation.

Factors which may affect the willingness of the City Council to appropriate the principal of and interest on the Bonds include, but are not limited to, the sufficiency of legally available funds of the Issuer to make such payments and other needs of the Issuer with respect to the use of such funds for its governmental purposes.

In considering the payments of principal of and interest on the Bonds, the annual appropriation nature of such payments impacts their value as security for the Bonds. If the Issuer fails to appropriate the principal of and interest on the Bonds for any reason those funds will not be available for payment of the Bonds. The failure of the Issuer to appropriate the principal of and interest on the Bonds is not an Event of Default under the Indenture and there is no available legal remedy to compel such appropriation. Without the Appropriated Funds, the Issuer may be unable to pay debt service on the Bonds.

Early Redemption of Bonds

The Indenture provides that the Bonds are subject to redemption as set forth under the caption “**THE BONDS – Redemption Provisions**” in this Official Statement. Purchasers of the Bonds should bear in mind that such redemption could affect the price of the Bonds in the secondary market.

No Registration

The Bonds are not currently required to be, have not been, and are not intended to be, registered under the Securities Act of 1933, as amended, nor have the Bonds been qualified or registered under the securities or blue sky laws of any state. The Indenture is not currently required to be, has not been, and is not intended to be, qualified under the Trust Indenture Act of 1939, as amended.

Risks Related to the Letter of Credit Provider

No assurance can be given as to the current or future financial condition of the Letter of Credit Provider; no review of the business or affairs of the Letter of Credit Provider has been conducted in connection with the issuance of the Bonds. If the Letter of Credit Provider were to become insolvent or a debtor in bankruptcy, timely payment of the Purchase Price or scheduled payments of principal and interest on the Bonds could be adversely affected.

Changes in State and Local Tax Laws

The plan of financing contemplates no substantial change in the basis of extending, levying and collecting real property taxes, earnings, sales, franchise and utility taxes. Any change in the current system of collection and distribution of real property taxes, earnings, sales, franchise or utility taxes in the State, County or City, including without limitation the reduction or elimination of any such tax, judicial action concerning any such tax or voter initiative, referendum or action with respect to any such tax, could adversely affect the availability of revenues to pay the principal of and interest on the Bonds. There can be no assurances that the current system of collection and distribution of the real property taxes, earnings, sales, franchise or utility taxes in the State, County or City will not be changed by any competent authority having jurisdiction to do so, including without limitation the State, County, City, the school district, the courts or the voters.

Reduction in State and Local Tax Rates

Any reduction in tax rates within the Issuer could adversely effect the amount of general municipal revenues available for appropriation by the Issuer to pay debt service on the Bonds. Such a reduction in rates could be as a result of a desire of the governing body of the taxing district to lower tax rates, taxpayer initiative, or in response to state or local litigation or legislation affecting the broader taxing structure within the taxing district.

Special Considerations Relating to the Bonds

The Remarketing Agent is Paid by the Issuer. The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Indenture and Remarketing

Agreement), all as described in this Official Statement. The Remarketing Agent is appointed by the Issuer and is paid by the Issuer for its services. As a result, the interests of the Remarketing Agent may differ from those of the existing Holders and potential purchasers of the Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account. The Remarketing Agent acts as the remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds in order to achieve a successful remarketing of the Bonds (*i.e.* because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase the Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date, Including the Date of an Interest Rate Period Conversion. Pursuant to the Indenture and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the date of an Interest Rate Period conversion, at a discount to par to some investors.

The Ability to Sell the Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

The Remarketing Agent May Resign, Without a Successor Being Named. The Remarketing Agent may resign, upon 30 days prior written notice, without a successor having been named by the Issuer; provided, that if at the end of the 30-day period a successor acceptable to the respective Letter of Credit Provider has not been appointed by the Issuer, such Letter of Credit Provider shall have the right to direct the appointment of a successor by the Issuer.

In Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices to this Official Statement) in order to make a judgment as to whether the Bonds are an appropriate investment.

LITIGATION

The Issuer

There is no litigation, controversy or other proceeding of any kind pending or, to the Issuer's knowledge, threatened in which any matter is raised or may be raised questioning, disputing, challenging or affecting in any way the legal organization of the Issuer or its boundaries, the right or title of any of the Issuer's officers to their respective offices, the constitutionality or validity of the Bonds, the legality of any official act taken in connection with the execution and delivery of the Indenture or the legality of any of the proceedings had or documents entered into in connection with the authorization, execution and delivery of the Indenture or the issuance of the Bonds.

The Commission

There is no litigation, controversy or other proceeding of any kind pending or, to the Commission's knowledge, threatened in which any matter is raised or may be raised questioning, disputing, challenging or affecting in any way the legal organization of the Commission or its boundaries, the right or title of any of the Commission's officers to their respective offices, the constitutionality or validity of the Bonds, the legality of any official act taken in connection with the execution and delivery of the Indenture or the legality of any of the proceedings had or documents entered into in connection with the authorization, execution and delivery of the Indenture or the issuance of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds by the Issuer are subject to the approving legal opinion of the Hardwick Law Firm, LLC, Kansas City, Missouri and Kutak Rock LLP, Kansas City, Missouri, Co-Bond Counsel, whose approving opinion will be delivered with the Bonds. A copy of the proposed form of such opinion is attached as **Appendix D** to this Official Statement. Co-Bond Counsel expresses no opinion as to the accuracy or sufficiency of any information contained in this Official Statement or any of the appendices to this Official Statement except for the matters appearing in the sections of this Official Statement captioned "**THE BONDS**" and "**TAX MATTERS**" and the matters appearing in **Appendix B** and **Appendix D** to this Official Statement. Certain legal matters will be passed upon for (i) the Issuer by the Assistant City Attorney and by its co-disclosure counsel, Bryan Cave LLP and Fields & Brown, LLC, Kansas City, Missouri, (ii) for the Letter of Credit Provider by McKee Nelson LLP, Washington, D.C., and (iii) for the Underwriter by Gilmore & Bell, P.C., Kansas City, Missouri.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon or of the future performance of parties to such transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

SERIES 2009C BONDS

In General

In the opinion of Kutak Rock LLP and Hardwick Law Firm, LLC, Co-Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2009C Bonds is excluded from gross income for federal and Missouri income tax purposes. Co-Bond Counsel is further of the opinion that interest on the Series 2009C Bonds is not a specific preference item for purposes of the federal alternative

minimum tax imposed on individuals and corporations. It should be noted, however, that for purposes of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. No opinion is expressed regarding the applicability with respect to the Series 2009C Bonds or the interest on the Series 2009C Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

Co-Bond Counsel's opinion is conditioned on continuing compliance by the Issuer with all requirements of the Code that must be satisfied in order that interest on the Series 2009C Bonds be, and continue to be, excluded from gross income for federal and Missouri tax purposes. The Issuer has covenanted to comply with all such requirements. In addition, Co-Bond Counsel rely on representations by the Issuer and others, with respect to matters solely within their knowledge, which Co-Bond Counsel has not independently verified. Failure to comply with the requirements of the Code, or the foregoing representations being determined to be inaccurate or incomplete, may cause interest on the Series 2009C Bonds to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2009C Bonds. Co-Bond Counsel has not been retained to monitor compliance with requirements such as described above subsequent to the issuance of the Series 2009C Bonds. In addition, the Indenture does not require the Issuer to redeem the Series 2009C Bonds or to pay any additional interest or penalty in the event that interest on the Series 2009C Bonds becomes taxable.

Except as stated above, Co-Bond Counsel has expressed no opinion as to any federal, state or local tax consequences arising with respect to the Series 2009C Bonds.

The accrual or receipt of interest on the Series 2009C Bonds may otherwise affect the federal (and, in some cases, state and local) income tax liability of the owners of the Series 2009C Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Co-Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2009C Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2009C Bonds.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2009C Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2009C Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2009C Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2009C

Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2009C Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2009C Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Co-Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2009C Bonds and Co-Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

SERIES 2009D BONDS

In General

Interest on the Series 2009D Bonds is not excluded from gross income for federal and Missouri income tax purposes.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2009D Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 2009D Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2009D Bonds.

In general, interest paid on the Series 2009D Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2009D Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Premium

An investor that acquires a Series 2009D Bond for a cost greater than its remaining stated redemption price at maturity and holds the Bond as a capital asset will be considered to have purchased the Bond at a premium and, under Section 171 of the Code, must generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Regulations have been issued dealing with certain aspects of federal income tax treatment of premium, but such regulations do not fully address the method to be used to amortize premium on obligations such as the Series 2009D Bonds. Therefore, investors should consult their tax advisors regarding the tax consequences of amortizing premium.

Market Discount

An investor that acquires a Series 2009D Bond for a price less than the adjusted issue price of such Bond (or an investor who purchases a Series 2009D Bond in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, “market discount” means (a) in the case of a Series 2009D Bond originally issued at a discount, the amount by which the issue price of such Bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Series 2009D Bond not originally issued at a discount, the amount by which the stated redemption

price of such Bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2009D Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Bond as ordinary income to the extent of any remaining accrued market discount (as described at “Sale or Other Dispositions” under this caption) or (ii) to elect to include such market discount and income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Series 2009D Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2009D Bond who acquired a Series 2009D Bond at a market discount also may be required to defer, until the maturity date of such Bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2009D Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner’s gross income for the taxable year with respect to such Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Bond for the days during the taxable year on which the owner held the Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions

If a Series 2009D Bond is sold, redeemed prior to maturity or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the Bond. The adjusted basis of a Series 2009D Bond generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Bond and reduced by any amortized premium under Section 171 of the Code and by the payments on the Bond (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss if the Bond to which it is attributable is held as a “capital asset.” Currently, for corporations, capital gains are taxed at the same rate as ordinary income. However, for individuals and certain estates and trusts, the maximum capital gain rate applicable to the sale or exchange of capital assets held for more than one year is 15%. The tax rate for individual holders in the 10% or 15% regular income tax brackets is zero in 2009 through 2010. The tax rates apply for both regular tax and alternative minimum tax and terminate on December 31, 2010. Beginning in 2011, the 15% capital gains rate increases to 20% and the 0% rate increases to 10%.

Gain on the sale or other disposition of a Series 2009D Bond that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Bond was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under “**Market Discount**”).

Backup Withholding

Payments of principal and interest (including original issue discount) on the Series 2009D Bonds, as well as payments of proceeds from the sale of the Series 2009D Bonds may be subject to the “backup withholding tax” under Section 3406 of the Code at a rate of 28% for tax years through 2010 and a to-be-determined rate for tax years 2011 and thereafter with respect to interest or original issue discount on the Series 2009D Bonds if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the Trustee certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors

An owner of a Series 2009D Bond that is not a “United States person” (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2009D Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2009D Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term “United States person” means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on the Series 2009D Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2009D Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of the Series 2009D Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2009D Bond.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts (“**IRA’s**”) under the Code and persons who, with respect to any such plan or arrangement, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between such a plan or arrangement and a “party in interest” with respect to ERISA or a “disqualified person” within the meaning of the Code, including the acquisition by one from the other of a Series 2009D Bond, could be viewed as violating those prohibitions. For example, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as IRA’s and disqualified persons, and Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the Issuer or any underwriter of the Series 2009D Bonds might be considered or

might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code with respect to any plan or arrangement subject to ERISA or Code Sections 4975 or 503, and prohibited transactions may arise if the Series 2009D Bonds are acquired by such plans or arrangements. In all events, fiduciaries of plans or arrangements subject to ERISA or the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2009D Bonds.

Treasury Circular 230 Disclosure

Any federal tax advice contained in this Official Statement was written to support the marketing of the Series 2009D Bonds and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayer’s particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.

BOND RATINGS

Standard & Poor’s Rating Group, a division of The McGraw-Hill Companies, Inc. (“**S&P**”), Moody’s Investors Service, Inc. (“**Moody’s**”) and Fitch, Inc. (“**Fitch**”) have assigned to the Bonds long-term ratings of “AA-,” “Aa1” and “AA-,” respectively, and short-term ratings of “A1+,” “VMIG 1,” and “F1+,” respectively, based on the delivery of the Letter of Credit by the Letter of Credit Provider upon delivery of the Bonds.

Such ratings may be obtained from such organizations and reflect only the views of such organizations at the time the ratings were given. The Issuer, the Underwriter and the Letter of Credit Provider make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings also may be obtained only from the issuing organization. There is no assurance that the ratings currently assigned to the Bonds will continue for any given period of time or will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

FINANCIAL STATEMENTS

The Issuer maintains its financial records on the basis of a fiscal year, which currently ends on April 30. Set forth in **Appendix A** are the financial statements of the Issuer for the fiscal year ended April 30, 2008. Such financial statements have been examined by KPMG LLP, Kansas City, Missouri. The Issuer did not ask KPMG LLP to perform any additional work or any post-audit procedures more recently than the April 30, 2008 audit with respect thereto.

CONTINUING DISCLOSURE

The initial offering of the Bonds is exempt from the continuing disclosure requirements of the Rule. The City has agreed, however, that if as a result of any amendment or supplement to the Indenture or the Financing Agreement the Bonds cease to be exempt from the Rule, the City will provide or cause to be provided, such ongoing disclosure as may be necessary to comply with the Rule as then in effect.

UNDERWRITING

The Bonds are being purchased by Banc of America Securities LLC (the “**Underwriter**”). Pursuant to a purchase contract entered into by and between the Issuer and the Underwriter, the Underwriter has agreed to purchase the Bonds at an aggregate purchase price equal to the principal amount thereof and the Issuer has agreed to pay the Underwriter a fee of \$12,245.00. The Bond Purchase Agreement between the

Issuer and the Underwriter provides that the Underwriter will purchase all of the Bonds, if any are purchased, and requires the Issuer to indemnify the Underwriter against losses, claims, damages and liabilities to third parties arising out of any materially incorrect or incomplete statements or information contained in this Official Statement pertaining to the Issuer. The initial public offering prices set forth on the inside cover page hereto may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering price set forth on the cover page.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

CO-FINANCIAL ADVISORS

First Southwest Company and Valdés & Moreno, Inc. were retained by the City to act as Co-Financial Advisors in connection with the issuance and sale of the Bonds. The fees paid to the Co-Financial Advisors with respect to the issuance of the Bonds is contingent upon the sale of the Bonds. The Co-Financial Advisors are not contractually obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CERTAIN RELATIONSHIPS

The Hardwick Law Firm, LLC and Kutak Rock LLP serve as co-bond counsel in this transaction and also represent the Underwriter and the Issuer from time to time in other transactions.

Bryan Cave LLP is serving as co-disclosure counsel to the Issuer in connection with the issuance of the Bonds. Such firm also represents the Issuer, the Underwriter and the Letter of Credit Provider with respect to certain other matters.

Gilmore & Bell, P.C. serves as counsel to the Underwriter in this transaction. That firm also represents the Issuer from time to time in other transactions.

(Remainder of this page intentionally left blank)

MISCELLANEOUS

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized. The descriptions contained in this Official Statement of the Bonds and the Indenture, the Financing Agreement, the Letter of Credit and the Reimbursement Agreement do not purport to be complete and are qualified in their entirety by reference thereto.

The cover page hereof and the attached Appendices are integral parts of this Official Statement.

The execution, delivery and use of this Official Statement has been duly authorized by the Issuer.

CITY OF KANSAS CITY, MISSOURI

By: /s/ Jeffrey A. Yates
Director of Finance and
Chief Financial Officer

APPENDIX A

FINANCIAL STATEMENTS OF THE CITY OF KANSAS CITY, MISSOURI

(THIS PAGE INTENTIONALLY LEFT BLANK)



KPMG LLP
Suite 1000
1000 Walnut Street
Kansas City MO 64106-2162

Independent Auditors' Report

The Honorable Mayor and Members
of the City Council
Kansas City, Missouri:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kansas City, Missouri (the City), as of and for the year ended April 30, 2008, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, except for the Kansas City International Airport – Community Improvement District (KCICID). The discretely presented component unit financial statements that we did not audit represent approximately 99% of the total assets and revenues of the aggregate discretely presented component unit opinion unit. Nor did we audit the financial statements of the Police Retirement System and Civilian Employees' Retirement System (Fiduciary Funds), which represent 35% and 5%, respectively, of the assets and revenues/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police Retirement System and Civilian Employees' Retirement System and all of the aggregate discretely presented component units, except for the KCICID, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of KCCID – Charitable Fund, KCICID, MAST, Police Retirement System, and Civilian Employees' Retirement System were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kansas City, Missouri as of April 30,

2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in note 17 to the basic financial statements, the net assets of the governmental activities, as of May 1, 2007, have been restated.

As described in note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*. Also, as described in note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages A-3 through A-17 and the budgetary comparison schedule, schedules of funding progress, and schedules of condition assessments and maintenance costs on pages A-130 through A-138 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

Kansas City, Missouri
October 31, 2008

Management Discussion and Analysis

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

Management's Discussion and Analysis (MD&A) offers readers a narrative overview and analysis of the financial activities of the City of Kansas City, Missouri (the City) for the fiscal year ended April 30, 2008. Readers are encouraged to consider the information presented here and in the City's financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2008 by \$4.3 billion. Of this amount, \$574.2 million is unrestricted. The unrestricted net assets of the City's governmental activities are \$405.7 million and are available to meet the government's ongoing obligations. The unrestricted net assets of the City's business-type activities are \$168.5 million and are available to meet the ongoing obligations of the City's water, sewer, and airports business-type activities.
- The City's total net assets increased \$138.7 million in 2008. Net assets of the governmental activities grew by \$57.9 million, and business-type activities increased \$80.9 million. At April 30, 2008, the City's governmental funds have a combined ending fund balance of \$647.9 million. The combined governmental funds' fund balance decreased \$97.7 million from the prior year's ending fund balance. Approximately \$298.6 million of the \$647.9 million fund balance is unreserved.
- At April 30, 2008, the general fund had a fund balance of \$47.6 million. There was a \$9.2 million increase in the total fund balance for the year ended April 30, 2008.
- The long-term obligations of the City's governmental activities increased by \$54.5 million (3.7%). The long-term obligations of the City's business-type activities increased by \$12.3 million (1.6%).
- The City identified two errors in prior years' financial statements related to the reporting of capital assets that resulted in a restatement of the net assets of the governmental activities as of May 1, 2007. This restatement had no impact on the fund level financial statements. The only impact was on governmental activities reported in the government-wide financial statements. See note 17 of the notes to the basic financial statements for additional information. The 2006-2007 amounts provided in this management's discussion and analysis have been restated to reflect the impact of correcting these errors.

Overview of the Financial Statements

This MD&A is an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. The report contains other supplementary information in addition to the financial statements.

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

Government-Wide Financial Statements

The *government-wide financial statements* provide readers with a broad overview of the City's finances.

The *statement of net assets* presents information concerning the City's assets and liabilities; the difference between the two is reported as *net assets*. Increases and decreases in net assets serve as an indicator of the City's financial position.

The *statement of activities* presents information displaying how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the cash flows*. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish the functions of the City principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general government, public works, codes, convention, sanitation, public safety (police, fire and municipal courts), neighborhood development, health, and culture and recreation. The business-type activities of the City include four enterprise activities: a water system, a sanitary sewer system, a garage, and aviation.

The government-wide financial statements include not only the City itself (known as the *primary government*), but include the Port Authority, Land Clearance for Redevelopment Authority, Economic Development Corporation, Kansas City Corporation for Industrial Development (KCCID) – Charitable Trust, Maintenance Reserve Corporation, Performing Arts Community Improvement District, Tax Increment Financing Commission, American Jazz Museum, Kansas City Board of Police Commissioners, Kansas City International (KCI) Airport Community Improvement District, Downtown Economic Stimulus Authority of Kansas City, Missouri and Metropolitan Ambulance Service Trust. Financial information for these *discretely presented component units* is reported separately from the financial information presented for the primary government. Complete financial statements of these component units, which include their MD&A, may be obtained from their respective administration offices.

In addition, the financial statements include the Kansas City Municipal Assistance Corporation (KCMAC) and the Police and Civilian Retirement Systems as blended component units.

The government-wide financial statements are on pages A-18 to A-20.

Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City are divided amongst three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

Governmental Funds

Governmental funds account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful to evaluate a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers will better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation facilitating the comparison between *governmental funds* and *governmental activities*.

The City maintains 126 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the capital improvements fund, which are considered major funds. Data from the other governmental funds is combined into a single, aggregated presentation.

The governmental funds financial statements are on pages A-21 to A-24.

Proprietary Funds

The City maintains two different types of proprietary funds. *Enterprise funds* report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sanitary sewer (including storm water), airport special facilities, and airports operations. *Internal service funds* are used to accumulate and allocate costs internally among the City's various functions including, storerooms and duplicating, information technology services, and cumulative insurance reserves. The services provided by these funds predominantly benefit the governmental rather than the business-type functions and they are included within *governmental activities* in the government-wide financial statements shown in this report. The City has decided to discontinue the use of internal service funds and their assets and liabilities have been merged into the general fund as of April 30, 2008. Beginning May 1, 2008 all activity previously accounted for in the internal service funds will be included in the general fund or government wide statements as appropriate.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, sewer fund (including storm water and sanitary sewer), airports fund, which are major funds of the City. The nonmajor enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. In addition, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The proprietary fund financial statements are on pages A-25 to A-28.

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City uses fiduciary funds to account for the retirement plans for regular employees, firefighters, police officers, and civilian employees of the police department, funds held for employee memorials, municipal correctional facility inmate canteen operations, special deposits, municipal court appearance bonds, police department grants, and payroll and insurance benefits.

The fiduciary fund financial statements are on pages A-29 to A-30.

Discretely Presented Component Units

The discretely presented component unit financial statements provide separate information for the Land Clearance for Redevelopment Authority, Tax Increment Financing Commission and the Police Department. The remaining discretely presented component units are aggregated and presented in a single column.

The discretely presented component unit statements are on pages A-31 to A-32.

Notes to the Basic Financial Statements

The *notes* provide additional information essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are on pages A-33 to A-129.

Other Information

In addition to the financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary compliance, progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees and condition assessments on infrastructure assets accounted for using the modified approach. Required supplementary information is on pages A-130 to A-138.

The City uses the modified approach when accounting for street surfacing, bridges/culverts, and street lighting and uses straight-line depreciation when accounting for curbs, sidewalks, retaining walls, traffic signals, signage, and guardrails. The City began reporting street surfacing, bridges/culverts, and street lighting retroactively with the fiscal year ending April 30, 2003, curbs and sidewalks retroactively with the fiscal year ending April 30, 2006, and traffic signals, guardrails, and signage retroactively with the fiscal year ending April 30, 2007. Originally, retaining walls were considered reportable; however, once the retaining walls were inventoried, it was determined that most belong to adjoining property owners. Those that do belong to the City are reported with street surfacing.

Government-Wide Financial Analysis

As noted earlier, net assets serve as a useful indicator of the results of the City's operations. The City's assets exceeded liabilities by \$4.3 billion at the close of the most recent fiscal year. At the end of the prior fiscal year, assets exceeded liabilities by \$4.2 billion indicating that the government maintained its financial position. Governmental activities assets (exceeding liabilities) increased by \$57.9 million (from \$2.75 billion to

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

\$2.81 billion) and business-type activities' assets (exceeding liabilities) increased by \$80.9 million (from \$1.44 billion to \$1.53 billion).

The largest portion of the City's net assets (83%) consists of its investment in capital assets (for example, land, buildings, land improvements, monuments and fountains, machinery and equipment, and infrastructure); less related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay debt will be provided from other sources, because capital assets cannot be used to liquidate these liabilities.

Net Assets (In thousands)

	Governmental activities		Business-type activities		Total	
	2007 - 08	2006 - 07 (Restated)	2007 - 08	2006 - 07	2007 - 08	2006 - 07 (Restated)
Current and other assets	\$ 881,008	979,830	442,252	424,812	1,323,260	1,404,642
Capital assets	3,646,589	3,440,860	1,925,509	1,847,014	5,572,098	5,287,874
Total assets	4,527,597	4,420,690	2,367,761	2,271,826	6,895,358	6,692,516
Long-term liabilities outstanding	1,540,469	1,486,012	799,007	786,687	2,339,476	2,272,699
Other liabilities	177,919	183,320	43,334	40,588	221,253	223,908
Total liabilities	1,718,388	1,669,332	842,341	827,275	2,560,729	2,496,607
Net assets	\$ 2,809,209	2,751,358	1,525,420	1,444,551	4,334,629	4,195,909
Invested in capital assets, net of related debt	\$ 2,331,180	2,322,985	1,260,120	1,183,082	3,591,300	3,506,067
Restricted	72,318	93,380	96,761	81,038	169,079	174,418
Unrestricted	405,711	334,993	168,539	180,431	574,250	515,424
Total net assets	\$ 2,809,209	2,751,358	1,525,420	1,444,551	4,334,629	4,195,909

As previously described, the fiscal year 2006-2007 information in the above table has been restated. Please refer to note 17 for additional information.

An additional portion of the City's net asset (3.9%) represents resources subject to external restrictions as to how they may be used. The remaining balance of *unrestricted net assets* (\$574.2 million) is available to meet the government's ongoing obligations to citizens and creditors. It is important to note that, although the total unrestricted net assets is \$574.2 million, the net assets of the City's business-type activities (\$168.5 million) are not available to fund governmental activities. Total net assets of the City increased from FY 2007 to FY 2008 by \$138.7 million or 3.3% due to the continued investment in capital assets.

Governmental Activities

The primary government realized \$1.4 billion of revenues and \$1.3 billion of expenses for fiscal year 2008. Governmental activities realized \$1.0 billion of revenues and \$1.0 billion of expenses. The amount of beginning

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

net assets was restated upward for a net cumulative amount of \$146.6 million as of April 30, 2007. This restatement also affected net assets as of April 30, 2006 in the amount of \$62.0 million. The restatement reflects the net adjustments for capital assets not fully capitalized and others not depreciated in prior years.

Business-Type Activities

Business-type activities had increases in net assets of \$80.9 million, accounting for 58.3% of the total government's increase in net assets. The increase in net assets was attributable in large part to the capital improvement programs of the Water Department for improvements and extensions to water and sewer lines, and capital grant revenue received by the Aviation Department.

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

Components of the increase/decrease are as follows:

Changes in Net Assets						
(In thousands)						
	Governmental activities		Business-type activities		Total	
	2007 - 08	2006 - 07 (Restated)	2007 - 08	2006 - 07	2007 - 08	2006 - 07 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 233,118	206,279	299,850	286,530	532,968	492,809
Operating grants and contributions	38,297	36,480	185	168	38,482	36,648
Capital grants and contributions	25,450	47,685	33,753	42,024	59,203	89,709
General revenues:						
Property taxes	120,140	107,562	—	—	120,140	107,562
Earnings and profits taxes	219,168	287,504	—	—	219,168	287,504
Sales taxes	163,913	92,368	—	—	163,913	92,368
Local option use taxes	30,534	30,030	—	—	30,534	30,030
Hotel and restaurant taxes	38,603	34,877	—	—	38,603	34,877
Gaming taxes	17,552	18,856	—	—	17,552	18,856
Railroad and utility taxes	79,948	77,880	—	—	79,948	77,880
Cigarette taxes	1,529	1,645	—	—	1,529	1,645
PILOTS and business licenses	40,801	29,320	—	—	40,801	29,320
Investment earnings	37,505	47,812	22,355	19,476	59,860	67,288
Total revenues	<u>1,046,558</u>	<u>1,018,298</u>	<u>356,143</u>	<u>348,198</u>	<u>1,402,701</u>	<u>1,366,496</u>
Expenses:						
General government	132,038	106,072	—	—	132,038	106,072
Public safety	290,366	269,278	—	—	290,366	269,278
Public works	107,727	151,127	—	—	107,727	151,127
Neighborhood development	104,055	139,231	—	—	104,055	139,231
Health	67,362	63,151	—	—	67,362	63,151
Culture and recreation	59,189	49,838	—	—	59,189	49,838
Convention facilities	38,959	28,989	—	—	38,959	28,989
Economic development	83,353	43,289	—	—	83,353	43,289
Unallocated depreciation	758	695	—	—	758	695
Interest on long-term debt	75,249	59,582	—	—	75,249	59,582
Water	—	—	77,564	72,422	77,564	72,422
Sewer	—	—	74,118	64,956	74,118	64,956
Aviation	—	—	152,110	143,428	152,110	143,428
Airport special facility	—	—	1,133	1,868	1,133	1,868
Total expenses	<u>959,056</u>	<u>911,252</u>	<u>304,925</u>	<u>282,674</u>	<u>1,263,981</u>	<u>1,193,926</u>
Increase in net assets before transfers	87,502	107,046	51,218	65,524	138,720	172,570
Transfers	(29,651)	—	29,651	—	—	—
Increase in net assets	57,851	107,046	80,869	65,524	138,720	172,570
Net assets - beginning of year, as restated	<u>2,751,358</u>	<u>2,644,312</u>	<u>1,444,551</u>	<u>1,379,027</u>	<u>4,195,909</u>	<u>4,023,339</u>
Net assets - end of year	<u>\$ 2,809,209</u>	<u>2,751,358</u>	<u>1,525,420</u>	<u>1,444,551</u>	<u>4,334,629</u>	<u>4,195,909</u>

As previously described, the fiscal year 2006-2007 information in the above table has been restated. Please refer to note 17 for additional information.

CITY OF KANSAS CITY, MISSOURI

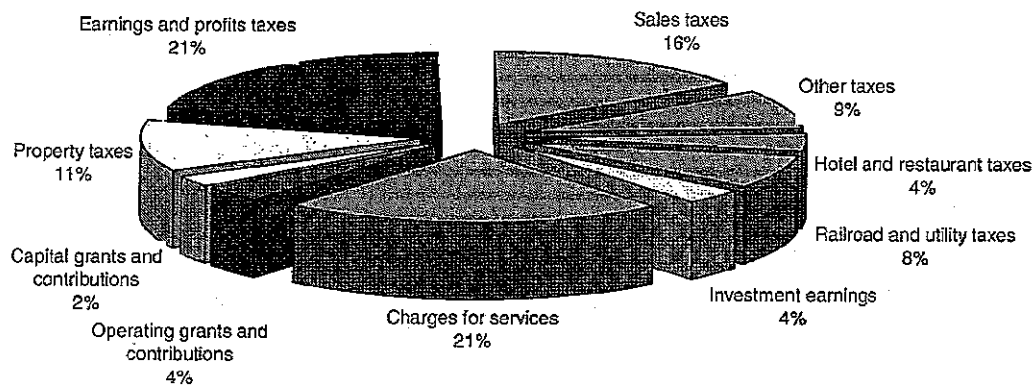
Management's Discussion and Analysis

April 30, 2008

(Unaudited)

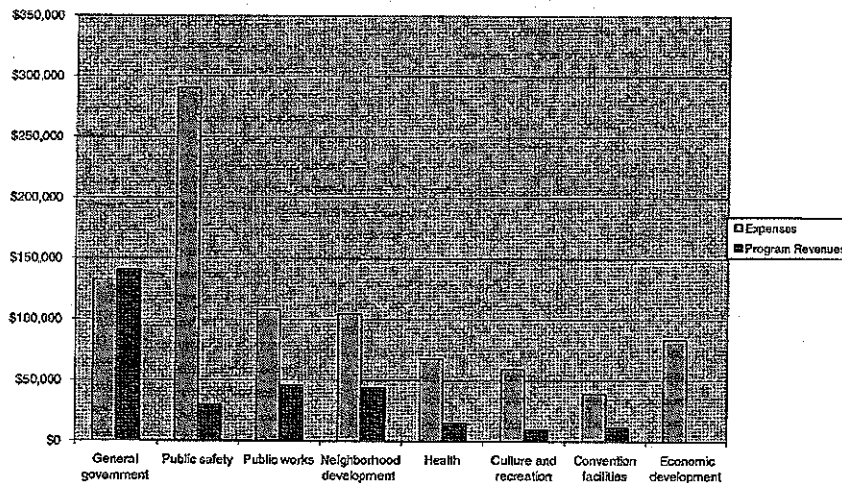
Revenues - Governmental Activities

(In thousands)



Expenses and Program Revenues - Governmental Activities

(In thousands)

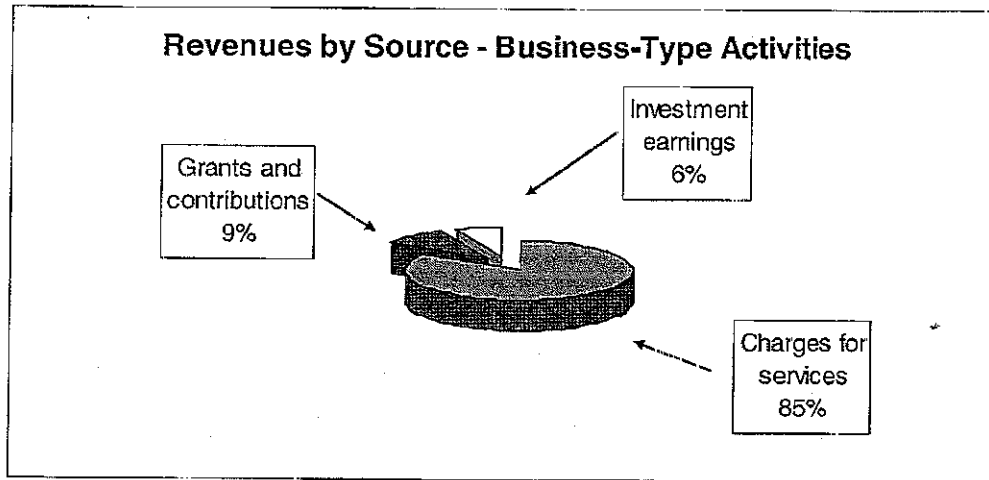


CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

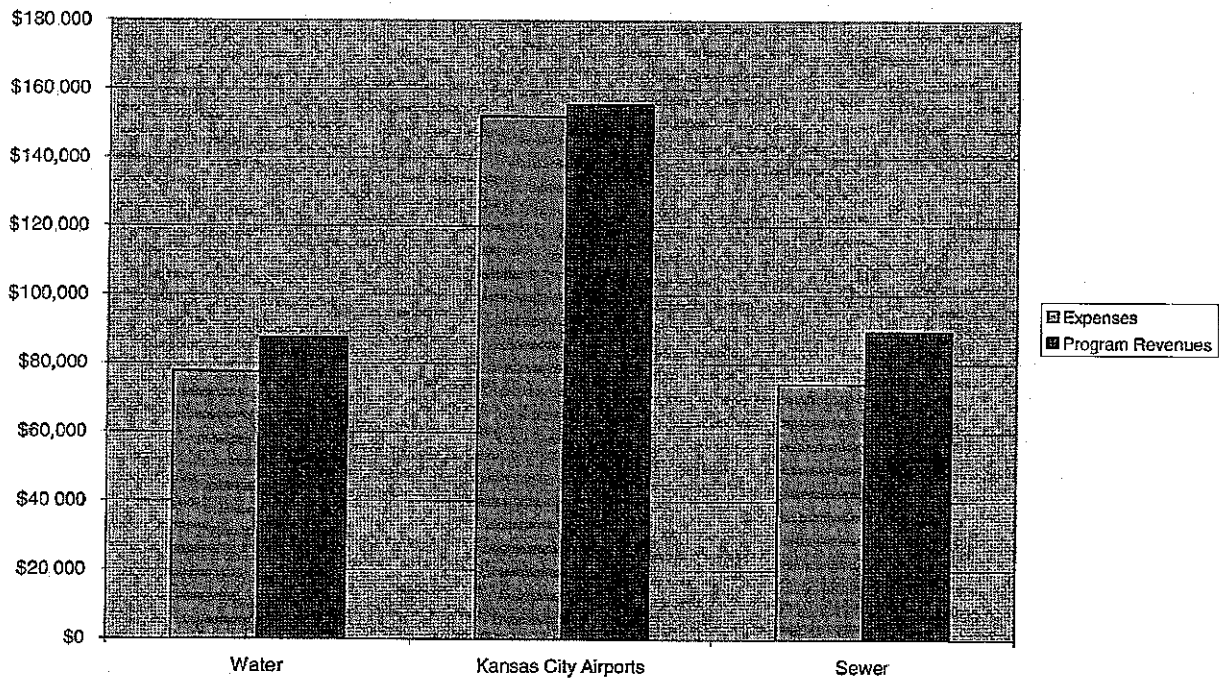
April 30, 2008

(Unaudited)



Expenses and Program Revenues - Business-type Activities

(In thousands)



CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* serves as a measure of a government's net resources available for use.

As of April 30, 2008, the City's governmental funds have combined ending fund balances of \$647.9 million; approximately \$298.6 million constitutes *unreserved fund balance*, and is available for spending at the government's discretion, excluding reappropriations of \$156.5 million. The remainder of the fund balance is reserved indicating it is not available for new spending, because it is primarily committed to debt service, contracts, and purchase orders of the prior period.

The general fund is the chief operating fund of the City. At April 30, 2008, the unreserved fund balance of the general fund was \$36.3 million, while the total fund balance was \$47.6 million, and expenditures were \$423.4 million. The total fund balance increased by \$9.2 million during fiscal year 2008. A wireless telephone settlement, in the amount of \$15.0 million, contributed to the increase in unreserved fund balance and total fund balance. As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures: Unreserved fund balance represents 8.6% of the total fund expenditures, while total fund balance represents 11.2% of the same amount.

Major Funds

The capital improvements fund, at April 30, 2008, had an unreserved fund balance of \$147.4 million, while total fund balance was \$201.8 million, and expenditures were \$87.7 million. The total fund balance increased by \$5.5 million during fiscal year 2008. A decrease in expenditures contributed to the increase in unreserved and total fund balances for fiscal year 2008.

The water fund, sewer fund (including storm water), and the airports fund, all of which are business-type activities, are also included as major funds. At April 30, 2008, unrestricted net assets of the water fund were \$13.1 million, while total net assets were \$436.4 million. As a measure of the water fund's liquidity, it may be useful to compare unrestricted net assets to total fund operating expenses. Unrestricted net assets represent 18.4% of the total fund operating expenses.

There was \$27.7 million in unrestricted net assets for the sewer fund and total net assets of \$569.9 million. As a measure of the sewer fund's liquidity, it may be useful to compare unrestricted net assets to total fund operating expenses. Unrestricted net assets represent 40.0% of the total fund operating expenses.

For the airports fund, there was \$110.0 million in unrestricted net assets, with total net assets of \$497.3 million. As a measure of the airports fund's liquidity, it may be useful to compare unrestricted net assets to total fund operating expenses. Unrestricted net assets represent 80.9% of the total fund expenses.

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

General Fund Budgetary Highlights

During fiscal year 2008 there was a \$10.0 million increase in appropriations for expenditures and transfers out between the original and final amended budget and a \$14.8 million increase in estimated revenues and operating transfers in. The actual expenditures and transfers out were under the final amended budget by \$6.3 million while actual revenues and transfers in were over the final amended budget by \$5.6 million. Individual department variances between actual expenditures and final budget were normal variances in most instances. However, the City Development Department had a large variance due to not spending grant appropriations available for Brownfields assessment projects, the Neighborhood Development Department had a variance due to not spending appropriations from a Justice Assistance grant, and the Fire Department had additional expenditures for salaries and worker's compensation claims.

Capital Assets and Debt Administration

Capital Assets

The City uses the modified approach when accounting for street surfacing, bridges/culverts, and street lighting and uses straight-line depreciation when accounting for curbs, sidewalks, retaining walls, traffic signals, signage, guard rails, buildings, improvements, machinery and equipment, land improvements and fountains and monuments. The City's investment in capital assets, net of related debt, for governmental and business-type activities as of April 30, 2008 amounts to \$3.6 billion. This investment in capital assets includes land, buildings, improvements, machinery and equipment, land improvements, monuments/fountains and other works of art, street surfacing, bridges/culverts, curbs, sidewalks, street lighting, traffic signals, signage, retaining walls, and guard rails. The total increase in the City's investment in capital assets, net of related debt for FY 2007 – 08 was 2.4%.

Major capital asset events during fiscal year 2007 – 2008 included the following:

- The City's investment in capital assets, net of related debt on the statement of net assets increased by \$85.2 million.
- Governmental capital assets, net of depreciation and disposals, increased by \$205.7 million, mainly due to:
 - \$5.3 million of vehicle purchases, \$1.3 million of land acquisition for the East Village Project, \$1.0 million of capital improvements at the City Market, \$4.4 million of streetscape improvements, \$1.5 million of building improvements at the Municipal Auditorium, \$1.4 million of fire vehicles, \$.8 million of construction of new fire stations, \$1.3 million of building improvements at City Hall, \$16.0 million of garage construction for the KC Live entertainment district, \$3.7 million of construction for a vehicle impound facility, \$8.3 million of construction and improvements at two community centers, \$1.2 million of improvements of the parkway system, \$4.0 million of construction of new police stations, \$84.8 million of construction in process of various public works projects and \$81.7 million of construction of a downtown sports and entertainment arena
- Business type capital asset additions, net of depreciation and disposals, increased by \$78.5 million due to:
 - \$1.6 million net reduction of Aviation assets due to disposal and depreciation

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

- \$30.5 million increase for water utility lines and improvements
- \$61.5 million increase for sewer utility lines and improvements
- \$11.9 million decrease of assets which were transferred from nonmajor enterprise to governmental

During the fiscal year 2008 the conditions of the City's three networks of infrastructure assets accounted for using the modified approach had the following changes

The overall condition level of the roadway system went from 87.00 in FY 2007 to 85.97 in FY 2008 on a rating scale of 100 indicating the overall condition maintained a "good" condition. The City's intent is to obtain an overall rating of not less than 80.

The overall condition level of the bridges went from 75.97 in FY 2007 to 76.17 in FY 2008 on a rating scale of 100 indicating the overall condition maintained a "better" condition. The City's intent is to obtain an overall rating of not less than 75 with no more than 10% being in "substandard" condition

The overall condition level of the street lighting went from 92.60 in FY 2007 to 91.30 in FY 2008 on a rating scale of 100 indicating the overall condition maintained a "better" condition. The City's intent is to obtain an overall rating of not less than 90 with no more than 10% being in "substandard" condition.

During the fiscal year 2008 the actual amount of dollars expended to preserve and maintain the roadway system, bridges and street lights were 35.0%, 8.1% and 73.7% of the amount estimated respectively.

Capital Assets

(In thousands)

	Governmental activities		Business-type activities		Total	
	2007 - 08	2006 - 07 (As restated)	2007 - 08	2006 - 07	2007 - 08	2006 - 07 (As restated)
Land	\$ 312,398	213,366	50,411	53,526	362,809	266,892
Buildings and improvements	983,822	516,702	985,763	982,282	1,969,585	1,498,984
Monuments and fountains	117,622	92,684	—	—	117,622	92,684
Land improvements	158,310	94,671	—	—	158,310	94,671
Machinery and equipment	159,977	142,040	193,071	189,147	353,048	331,187
Infrastructure -- modified	1,959,995	1,861,033	—	—	1,959,995	1,861,033
Infrastructure -- depreciated	115,992	96,271	1,401,794	1,333,035	1,517,786	1,429,306
Accumulated depreciation	(376,829)	(321,951)	(902,356)	(852,368)	(1,279,185)	(1,174,319)
Construction in progress	215,302	746,044	196,826	141,392	412,128	887,436
Total	\$ 3,646,589	3,440,860	1,925,509	1,847,014	5,572,098	5,287,874

As previously described, the fiscal year 2006-2007 information in the above table has been restated. Please refer to note 17 for additional information.

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

Additional information on the City's capital assets is in note 6 on pages A-71 through A-75.

Long-Term Debt

As of April 30, 2008, the City (the primary government) has bonded debt outstanding of approximately \$2.2 billion. Of this amount, \$308.7 million is comprised of debt backed by the full faith and credit of the government, with another \$2.7 million of special assessment debt for which the government is liable in the event of default by property owners subject to the assessment. Additionally, the City has outstanding debt of \$1.2 billion of improvement revenue bonds. The remainder of the City's debt represents bonds secured solely by specified revenue sources of the water, sewer, and airport systems totaling approximately \$773.7 million.

General Obligation and Revenue Bonds

(In thousands)

	Governmental activities		Business-type activities		Total	
	2007 - 08	2006 - 07	2007 - 08	2006 - 07	2007 - 08	2006 - 07
Bonded debt outstanding:						
General obligation bonds	\$ 308,655	286,235	—	—	308,655	286,235
Revenue bonds	—	—	773,725	765,038	773,725	765,038
Special assessment debt with government commitment	2,670	3,490	—	—	2,670	3,490
Limited obligation debt	1,164,747	1,140,089	—	—	1,164,747	1,140,089
Total	\$ 1,476,072	1,429,814	773,725	765,038	2,249,797	2,194,852

The City's total debt increased by \$54.9 million, or 2.5%, net of \$213.2 million in payments,* during the fiscal year ending April 30, 2008. The key factors in this increase were the issuance of the following bonds and lease purchases:

- \$22.6 million in City of Kansas City, Missouri special obligation bonds (Swope Ridge Geriatric Center, Second Street Streetscape, Tow Lot, Columbus Park Projects)
- \$40 million in general obligation bonds
- \$35 million in water revenue subordinate bonds
- \$29.3 million in City of Kansas City, Missouri special obligation bonds (East Village Project)
- \$0.5 million in Department of Natural Resources loan (Storm Water Project)
- \$2.0 million in Missouri Transportation Finance Corporation (MTFC) (Paseo Bridge Project)**
- \$18.4 million in lease purchase agreements (various equipment)

The following refunding bonds were also issued in fiscal year 2007 - 08:

- \$5.9 million in City of Kansas City, Missouri special obligation refunding bonds (Refunding of Kansas City Municipal Corporation, Series 1998A)

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

- \$114.9 million in Industrial Development Authority of the City of Kansas City, Missouri (IDA), variable rate demand tax-exempt revenue bonds (Kansas City Downtown Redevelopment, Fixed Rate Conversion)
 - * The \$213.2 million repayment includes IDA, Series 2005A, \$115.0 million, principal outstanding, which were purchased on the fixed rate conversion date to convert Series 2005A into fixed rate bonds from variable rate demand bonds.
 - ** The loan will be disbursed by MTFB in annual installments of \$2 million for five years.

The City's general obligation bond credit ratings by Fitch, Standard & Poor's Corporation, and Moody's Investor Services, Inc. are "AAA," "AA," and "Aa3," respectively. The City's other bond ratings are also shown in the following table:

Type of bonds issued	Moody's rating	Standard & Poor's rating	Fitch's rating
General obligation bonds	Aa3	AA	AAA
General obligation NID bonds	Aa3	Not rated	Not rated
Water revenue bonds	A1	AA*	Not rated
Sewer revenue bonds	Aa3	AA	Not rated
Airport revenue bonds (senior lien bonds)	A1	A+	A+
Airport revenue bonds (subordinate lien bonds)	A2	A	A
Airport special facility bonds	A2	AA-	AA
Airport PFC bonds	A3	A	A
Kansas City, Missouri Special Obligation Bonds (Series 2008A)	A2	AA-	AA
Kansas City, Missouri Special Obligation Bonds (Series 2008B)	A2	AA-	AA

* Standard & Poor's upgraded the water revenue bonds on August 1, 2008 to AA+ from "AA".

Article VI, Sections 26(b) and (c) of the state constitution permits the City, by a vote of the qualified electors, to incur indebtedness for City purposes in an aggregate amount not to exceed 10% of the assessed value of property within the City. Article VI, Section 26(d) of the state constitution permits the City, by a vote of the qualified electors, to incur indebtedness for the purposes of acquiring right-of-way, construction, extending and improving streets and improving sanitary or storm sewer systems in an aggregate amount not to exceed 10% of the assessed value of property within the City. Article VI, Section 26(e) of the state constitution permits the City, by a vote of the qualified electors, to incur indebtedness for the purposes of purchasing or constructing waterworks, electric, or other light plants in an aggregate amount not to exceed 10% of the assessed value of property within the City. The additional language in 26(e) is an aggregate limit of general obligation debt of 20%.

The City's constitutional debt limit calculated as of April 30, 2008 is \$1,456,782,929. The City's current legal debt margin is \$1,054,429,898, which takes into account both authorized but unissued bonds totaling \$104,915,000 and outstanding general obligation bonds less debt service fund balance totaling \$297,438,031. Additional information regarding the City's long-term debt is in note 7 on pages A-76 to A-101.

CITY OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

April 30, 2008

(Unaudited)

Economic Factors and Next Year's Budgets and Rates

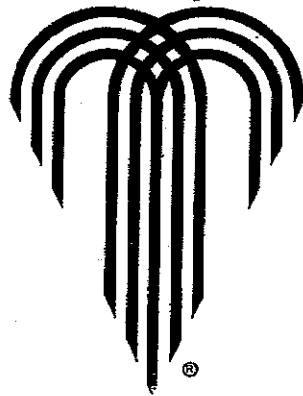
- Based on the Bureau of Labor Statistics, the unemployment rate for the City at April 30, 2008 was 4.6%, which is 0.5% lower than the rate one year ago. This compares favorably to the state and national average unemployment rate of 4.9% and 4.8%, respectively.
- Inflationary trends in the region were 4.0% at April 30, 2008 and are slightly higher as compared to national indices of 3.9%.

All of these factors are considered in preparing the City's budget.

Request for Information

This financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and demonstrates accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Controller's Office, 414 East 12th Street, Suite 302, Kansas City, Missouri 64106.

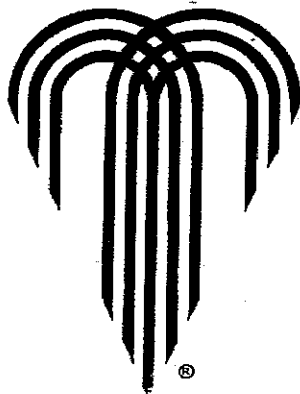
CITY OF FOUNTAINS
HEART OF THE NATION



KANSAS CITY
MISSOURI

**Basic
Financial
Statements**

CITY OF FOUNTAINS
HEART OF THE NATION



KANSAS CITY
MISSOURI

CITY OF KANSAS CITY, MISSOURI

Statement of Net Assets

April 30, 2008

(In thousands of dollars)

Assets	Primary government		Total	Component units
	Governmental activities	Business-type activities		
Cash and investments	\$ 467,693	147,912	615,605	27,685
Receivable, net:				
Taxes	91,138	—	91,138	—
Accounts	1,992	35,149	37,141	5,212
Interest	4,226	1,618	5,844	56
Other	5,268	291	5,559	4,519
Prepaid items	—	1,592	1,592	—
Due from other governments	38,854	3,831	42,685	2,497
Due from primary government	—	—	—	4,958
Due from component units	5,292	45	5,337	45
Inventories	—	3,602	3,602	1,703
Special assessments -- net	6,413	75	6,488	—
Bond issue costs -- net	17,416	8,098	25,514	6,037
Other assets	1,577	—	1,577	1,488
Restricted assets:				
Cash and investments	241,139	227,253	468,392	94,153
Accounts receivable	—	4,393	4,393	6,213
Accrued interest	—	1,591	1,591	—
Due from primary government	—	—	—	24,009
Notes receivable	—	6,802	6,802	—
Capital assets, nondepreciable	2,487,695	247,237	2,734,932	26,465
Capital assets, depreciable, net	1,158,894	1,678,272	2,837,166	28,922
Total assets	4,527,597	2,367,761	6,895,358	233,962

CITY OF KANSAS CITY, MISSOURI

Statement of Net Assets

April 30, 2008

(In thousands of dollars)

Liabilities	Primary government		Total	Component units
	Governmental activities	Business-type activities		
Liabilities:				
Accounts payable	\$ 63,546	22,339	85,885	6,452
Other accrued items	14,620	4,126	18,746	7,145
Construction contracts and retainages payable	10,676	3,236	13,912	—
Due to other governments	—	—	—	61
Internal balances	(252)	252	—	—
Prepaid lease revenue	—	3,322	3,322	—
Due to primary government	—	—	—	5,337
Due to component units	28,967	—	28,967	45
Unearned revenue	22,010	—	22,010	550
Accrued interest	30,997	8,589	39,586	1,929
Other liabilities	7,355	1,470	8,825	3,975
Long-term liabilities:				
Due within one year	57,727	46,114	103,841	13,110
Due in more than one year	1,463,734	747,233	2,210,967	520,741
Net pension obligations	7,983	2,769	10,752	16,150
Net other post-employment benefit obligations	11,025	2,891	13,916	1,901
Total liabilities	1,718,388	842,341	2,560,729	577,396
Net Assets				
Net assets:				
Investment in capital assets, net of related debt	2,331,180	1,260,120	3,591,300	40,398
Restricted for:				
Liberty Memorial – nonexpendable	15,688	—	15,688	—
Liberty Memorial – expendable	905	—	905	—
Debt service	54,925	41,711	96,636	117,729
Insurance reserves	800	—	800	—
Airport improvements	—	55,050	55,050	—
Other	—	—	—	7,630
Unrestricted (deficit)	405,711	168,539	574,250	(509,191)
Total net assets (deficit)	\$ 2,809,209	1,525,420	4,334,629	(343,434)

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI

Statement of Activities

Year ended April 30, 2008

(In thousands of dollars)

Functions/Programs	Program revenues			Net (expenses) revenues and changes in net assets		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government	
					Governmental activities	Business-type activities
Primary government:						
Governmental activities:						
General government	\$ 132,038	133,913	6,689	—	8,564	8,564
Public safety	290,366	26,281	3,886	—	(260,199)	(260,199)
Neighborhood development	107,727	21,700	—	24,523	(61,504)	(61,504)
Health	104,055	28,514	15,568	—	(59,973)	(59,973)
Culture and recreation	67,562	3,119	11,623	—	(52,620)	(52,620)
Convention facilities	59,189	8,374	531	927	(49,357)	(49,357)
Economic development	38,959	11,217	—	—	(27,742)	(27,742)
Unallocated depreciation	83,353	—	—	—	(83,353)	(83,353)
Interest on long-term debt and amortization of bond issue costs	758	—	—	—	(758)	(758)
	75,249	—	—	—	(75,249)	(75,249)
Total governmental activities	959,056	233,118	38,297	25,450	(662,191)	(662,191)
Business-type activities:						
Water	77,564	84,040	—	3,395	—	9,871
Kansas City airports	152,110	134,738	185	20,731	—	3,544
Sewer	74,118	79,929	—	9,627	—	15,438
Nonmajor enterprise funds	1,133	1,143	—	—	—	10
Total business-type activities	304,925	299,850	185	33,753	—	28,863
Total primary government	\$ 1,263,981	\$ 532,968	\$ 38,482	\$ 59,203	(662,191)	(633,328)
Total component units	\$ 303,141	32,804	217,615	21,429	—	(31,293)
General revenues:						
Taxes:						
Property taxes, levied for general purposes					109,889	109,889
Property taxes, levied for debt service					10,251	10,251
Property taxes, tax increment financing					—	—
Earnings and profits taxes					219,168	219,168
Sales taxes					163,913	163,913
Local option use taxes					30,534	30,534
Hotel and restaurant taxes					38,603	38,603
Gaming taxes					17,552	17,552
Railroad and utility taxes					79,948	79,948
Cigarette taxes					1,529	1,529
PILOTS and business replacement taxes					40,801	40,801
Investment earnings					22,355	22,355
Miscellaneous — contributions					—	—
Transfers					(29,651)	29,651
Total general revenues and transfers					720,042	772,048
Change in net assets					57,851	138,720
Net assets — beginning of year (as restated see note 17)					2,751,358	4,195,909
Net assets — ending of year					\$ 2,809,209	\$ 4,334,629

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI

Governmental Funds Balance Sheet

April 30, 2008

(In thousands of dollars)

Assets	General	Capital improvements	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 66,616	158,019	243,058	467,693
Receivables:				
Taxes	64,385	11,066	27,754	103,205
Municipal court	2,120	—	—	2,120
Accounts	412	—	1,580	1,992
Special assessments	4,710	—	7,292	12,002
Interest and dividends	720	1,682	1,824	4,226
Other	1,200	—	3,622	4,822
Allowance for uncollectible receivables	(9,666)	—	(9,664)	(19,330)
Due from other governments	2,336	15,124	21,394	38,854
Due from other funds	702	48,390	27,826	76,918
Due from component units	5,292	—	—	5,292
Restricted assets – cash and investments	802	—	240,337	241,139
Other	—	1	1,576	1,577
Total assets	\$ 139,629	234,282	566,599	940,510
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 16,119	9,023	38,404	63,546
Other accrued items	6,397	41	6,615	13,053
Construction contracts and retainages payable	210	4,027	6,439	10,676
Due to other funds	15,533	4,609	58,091	78,233
Due to component units	4,790	—	24,177	28,967
Deferred revenue	48,869	14,754	27,181	90,804
Other liabilities	124	—	7,231	7,355
Total liabilities	92,042	32,454	168,138	292,634
Fund balances:				
Reserved for:				
Encumbrances	11,272	54,414	80,448	146,134
Debt service	—	—	73,778	73,778
Construction	—	—	113,636	113,636
Endowment	—	—	15,688	15,688
Unreserved, designated for, reported in:				
Reappropriations	—	147,414	—	147,414
Special revenue funds	—	—	9,132	9,132
Unreserved, undesignated, reported in:				
General fund	36,315	—	—	36,315
Special revenue funds	—	—	42,999	42,999
Capital project funds	—	—	39,065	39,065
Debt service funds	—	—	22,823	22,823
Permanent fund	—	—	892	892
Total fund balances	47,587	201,828	398,461	647,876
Total liabilities and fund balances	\$ 139,629	234,282	566,599	940,510

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

April 30, 2008

(In thousands of dollars)

Fund balances – total governmental funds	\$ 647,876
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	4,023,418
Less accumulated depreciation	<u>(376,829)</u>
	3,646,589
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as expenditure when due	(30,997)
Revenues that are deferred due to the City not receiving cash within 60 days are recognized as revenue in the governmental activities in the statement of net assets	68,794
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds and notes payable	(1,476,072)
Net pension obligations	(7,983)
Other post employment benefit obligations	(11,025)
Compensated absences	(23,074)
Claims payable	(21,289)
Unamortized premium on bond issues	(25,688)
Deferred charges on refunding	22,791
Deferred discount on bond issues	1,871
Bond issue costs, net of related amortization, are not recorded as an asset in the governmental funds	<u>17,416</u>
Net assets of governmental activities	<u>\$ 2,809,209</u>

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended April 30, 2008

(In thousands of dollars)

	<u>General</u>	<u>Capital improvements</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Revenues:				
Taxes	\$ 279,776	69,221	227,447	576,444
Licenses, permits, and franchises	133,018	—	21,930	154,948
Fines and forfeitures	16,275	—	816	17,091
Rents and concessions	1,050	—	14,802	15,852
Investment income and interest	2,269	12,425	22,799	37,493
Charges for services	34,130	—	12,255	46,385
Intergovernmental revenues	4,908	13,575	85,034	103,517
Special assessments	191	—	6,903	7,094
Contributions	1,019	74	41,071	42,164
Other	5,085	34	4,065	9,184
Total revenues	<u>477,721</u>	<u>95,329</u>	<u>437,122</u>	<u>1,010,172</u>
Expenditures:				
Current:				
General government	96,728	881	19,984	117,593
Fire	82,486	—	12,249	94,735
Public works	22,333	—	34,976	57,309
Neighborhood development	18,270	—	15,227	33,497
Health	—	—	66,386	66,386
Culture and recreation	10,154	—	32,231	42,385
Convention facilities	283	—	20,980	21,263
Nondepartmental	—	—	84,653	84,653
Police	175,831	—	7,167	182,998
Intergovernmental:				
KCATA	—	—	47,893	47,893
Debt service:				
Principal retirement	3,432	—	56,069	59,501
Interest and fiscal agent fees	1,485	—	65,466	66,951
Bond issue costs	—	—	3,160	3,160
Capital outlay:				
Public works	3,561	66,005	133,037	202,603
Culture and recreation	472	19,105	21,270	40,847
Neighborhood development	3,473	1,673	71,334	76,480
Fire	—	—	2,141	2,141
General government	4,848	2	7,330	12,180
Total expenditures	<u>423,356</u>	<u>87,666</u>	<u>701,553</u>	<u>1,212,575</u>
Excess (deficiency) of revenues over expenditures	<u>54,365</u>	<u>7,663</u>	<u>(264,431)</u>	<u>(202,403)</u>
Other financing sources (uses):				
Transfers in	4,658	7,835	146,612	159,105
Transfers out	(49,812)	(11,962)	(98,295)	(160,069)
Issuance of debt	—	2,000	99,107	101,107
Issuance of refunding debt	—	—	121,225	121,225
Premium/discount on bond issue	—	—	4,514	4,514
Payment to refunding bond escrow agent	—	—	(121,225)	(121,225)
Other financing sources (uses), net	<u>(45,154)</u>	<u>(2,127)</u>	<u>151,938</u>	<u>104,657</u>
Net change in fund balances	<u>9,211</u>	<u>5,536</u>	<u>(112,493)</u>	<u>(97,746)</u>
Fund balances, beginning of year	<u>38,376</u>	<u>196,292</u>	<u>510,954</u>	<u>745,622</u>
Fund balances, end of year	<u>\$ 47,587</u>	<u>201,828</u>	<u>398,461</u>	<u>647,876</u>

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

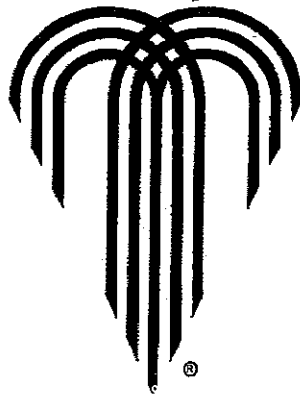
Year ended April 30, 2008

(In thousands of dollars)

Net change in fund balances – total governmental funds	\$ (97,746)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the detail of the amount by which capital outlays exceeded depreciation in the current period:	
Capital outlay	259,921
Depreciation	(44,568)
	<u>215,353</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	3,979
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in net pension obligation	3,104
Change in other post-employment benefits obligation	(11,025)
Change in claims payable	(21,289)
Developer contributions do not provide current financial resources and are not reported as revenues in the funds	11,607
The issuance of long-term debt (for example, bonds, loans, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:	
Bond, capital leases, and loan proceeds, including premium/discount	(226,846)
Repayment of principal (bonds, loans, and capitalized lease obligations)	59,501
Defeasance of debt refunding	121,225
Amortization of premium/discount, net	3,168
Interest	(3,951)
Bond issue costs	3,160
Amortization of bond issue costs	(1,609)
Deferred charge on refunding	5,721
Amortization of deferred charge on refunding	(2,176)
Change in compensated absences	(378)
	<u>(42,185)</u>
Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities	27,684
Transfers of capital assets from the proprietary funds are not reported as transfers in by the governmental funds	12,932
Transfers of capital assets to the proprietary funds are not reported as transfers out by the governmental funds	(44,563)
Change in net assets of governmental activities	\$ <u>57,851</u>

See accompanying notes to basic financial statements.

CITY OF FOUNTAINS
HEART OF THE NATION



KANSAS CITY
MISSOURI

CITY OF KANSAS CITY, MISSOURI

Proprietary Funds Statement of Net Assets

April 30, 2008

(In thousands of dollars)

Assets	Business-type activities - enterprise funds				Governmental activities - internal service funds
	Water	Kansas City Airports	Sewer	Nonmajor enterprise funds	Total
Current assets:					
Cash and cash equivalents	\$ 863	3,430	1,332	318	5,943
Investments	3,243	22,786	5,001	—	31,030
Receivables:					
Accounts	15,486	6,223	18,430	473	40,612
Interest and dividends	150	911	172	385	1,618
Allowance for uncollectible receivables	(2,900)	(569)	(1,994)	—	(5,463)
Notes receivable - current	291	—	—	—	291
Due from other governments	—	3,831	—	—	3,831
Due from other funds	937	—	391	—	1,328
Due from component units	—	—	—	45	45
Prepaid items	507	690	395	—	1,592
Inventories	2,154	820	628	—	3,602
Restricted assets:					
Cash and cash equivalents	2,841	12,175	3,673	3,081	21,770
Investments	4,734	13,936	3,819	9,475	31,964
Accounts receivable	—	4,453	—	—	4,453
Allowance for uncollectible receivables	—	(60)	—	—	(60)
Interest receivable	564	814	213	—	1,591
Total restricted assets	8,139	31,318	7,705	12,556	59,718
Total current assets	28,870	69,440	32,060	13,777	144,147
Noncurrent assets:					
Investments	11,138	80,349	17,180	2,272	110,939
Restricted assets-investments	50,045	69,135	21,790	32,549	173,519
Notes receivable	6,802	—	—	—	6,802
Capital assets, nondepreciable	68,856	70,585	103,318	4,478	247,237
Capital assets, depreciable, net	483,134	601,408	593,730	—	1,678,272
Special assessments, net	73	—	2	—	75
Bond issue costs, net	1,505	3,529	2,550	514	8,098
Total noncurrent assets	621,553	825,006	738,570	39,813	2,224,942
Total assets	\$ 650,423	\$ 894,446	\$ 770,630	\$ 53,590	\$ 2,369,089

CITY OF KANSAS CITY, MISSOURI

Proprietary Funds Statement of Net Assets

April 30, 2008

(In thousands of dollars)

Liabilities	Business-type activities - enterprise funds					Governmental activities - internal service funds
	Water	Kansas City Airports	Sewer	Nonmajor enterprise funds	Total	
Liabilities:						
Current liabilities:						
Accounts payable	\$ 4,616	12,669	4,067	987	22,339	—
Compensated absences	153	97	207	—	457	—
Other accrued expense	1,956	312	1,858	—	4,126	—
Prepaid lease revenue	—	3,322	—	—	3,322	—
Due to other funds	541	—	1,039	—	1,580	—
Claims payable	1,448	415	934	—	2,797	—
Liabilities payable from restricted assets:						
Matured bonds and coupons	—	259	—	—	259	—
Accrued interest and fiscal agent fees	2,901	2,591	2,860	237	8,589	—
Customer deposits and other liabilities	1,171	—	—	—	1,171	—
Construction contracts and retainages payable	719	1,644	873	—	3,236	—
Revenue bonds and capital lease, portion due within one year	12,728	18,395	11,167	570	42,860	—
Total liabilities payable from restricted assets	17,519	22,929	14,900	807	56,155	—
Total current liabilities	26,233	39,744	23,005	1,794	90,776	—
Noncurrent liabilities:						
Compensated absences	2,795	1,795	1,652	—	6,242	—
Net pension obligation	1,058	902	809	—	2,769	—
Claims payable	3,799	1,089	2,451	—	7,339	—
Unamortized bond premium (discount)	(181)	383	2,455	130	2,787	—
Other post-employment benefit obligations	1,105	941	845	—	2,891	—
Revenue bonds and capital lease, less current portion	179,190	352,255	169,540	29,880	730,865	—
Total noncurrent liabilities	187,766	357,365	177,752	30,010	752,893	—
Total liabilities	213,999	397,109	200,757	31,804	843,669	—
Net Assets						
Net assets:						
Invested in capital assets, net of related debt	406,639	312,855	537,291	3,335	1,260,120	—
Restricted for:						
Principal and interest	—	19,476	—	616	20,092	—
Debt service	16,653	—	4,908	58	21,619	—
Airport improvements	—	55,050	—	—	55,050	—
Unrestricted	13,132	109,956	27,674	17,777	168,539	—
Total net assets	\$ 436,424	497,337	569,873	21,786	1,525,420	—

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI
Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended April 30, 2008
(In thousands of dollars)

	Business-type activities - enterprise funds					Governmental activities - internal service funds
	Water	Kansas City Airports	Sewer	Nonmajor enterprise funds	Total	
Operating revenues:						
Charges for services	\$ 80,053	103,248	76,059	—	259,360	104,168
Rentals and tolls	—	—	—	1,142	1,142	—
Other	3,987	858	3,870	1	8,716	—
Total operating revenues	84,040	104,106	79,929	1,143	269,218	104,168
Operating expenses:						
Salaries, wages, and employee benefits	28,588	27,457	24,106	—	80,151	20,654
Supplies and materials	7,690	4,261	4,471	—	16,422	17,920
Utilities	7,922	—	6,504	—	14,526	17,241
Contractual services	8,133	46,220	11,801	—	66,154	3,788
Repairs and maintenance	5,505	—	4,008	—	9,513	3,528
Insurance	3,519	—	2,384	—	5,903	—
Claims	—	—	—	—	—	12,868
Depreciation and amortization	10,182	58,030	15,737	391	84,340	818
Other	—	—	—	—	—	2,495
Total operating expenses	71,539	135,968	69,111	391	277,009	79,312
Operating income (loss)	12,501	(31,862)	10,818	752	(7,791)	24,856
Nonoperating revenues (expenses):						
Investment income	2,949	12,678	3,468	3,260	22,355	12
Interest expense and fiscal agent fees	(5,998)	(18,883)	(4,984)	(1,421)	(31,286)	(129)
Passenger facility charges	—	23,822	—	—	23,822	—
Customer facility charges	—	6,810	—	—	6,810	—
Grants	—	185	—	—	185	—
Other	(27)	2,741	(23)	679	3,370	—
Total nonoperating revenues (expenses), net	(3,076)	27,353	(1,539)	2,518	25,256	(117)
Income (loss) before capital contributions and transfers	9,425	(4,509)	9,279	3,270	17,465	24,739
Capital contributions	10,015	20,731	47,570	—	78,316	—
Transfers in	—	—	—	—	—	7,280
Transfers out	—	—	—	(14,912)	(14,912)	(4,335)
Change in net assets	19,440	16,222	56,849	(11,642)	80,869	27,684
Net assets, beginning of year	416,984	481,115	513,024	33,428	1,444,551	(27,684)
Net assets, end of year	\$ 436,424	497,337	569,873	21,786	1,525,420	—

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI
Proprietary Funds Statement of Cash Flows
Year ended April 30, 2008
(In thousands of dollars)

	Business-type activities – enterprise funds					Governmental activities – internal service funds
	Water	Kansas City Airports	Sewer	Nonmajor enterprise funds	Total	
Cash flows from operating activities:						
Cash received from customers	\$ 82,385	104,764	77,398	1,084	265,631	112,781
Cash paid to suppliers	(31,288)	(50,843)	(29,097)	—	(111,228)	(86,314)
Cash paid to employees	(25,906)	(26,407)	(23,438)	—	(75,751)	(22,343)
Other cash paid for operations	—	—	—	(1)	(1)	(3,547)
Net cash provided by operating activities	25,191	27,514	24,863	1,083	78,651	577
Cash flows from noncapital financing activities:						
Decrease due to other funds	—	—	—	—	—	(8,966)
Transfer in	—	—	—	—	—	7,280
Transfer out	—	—	—	(2,960)	(2,960)	(3,355)
Proceeds from operating grants	—	185	—	—	185	—
Net cash provided by (used in) noncapital financing activities	—	185	—	(2,960)	(2,775)	(5,041)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(33,559)	(61,504)	(29,899)	(2,929)	(127,891)	—
Proceeds from issuance of revenue bonds, net of premium and discount	45,808	—	517	—	46,325	—
Capital contribution	—	18,282	—	—	18,282	—
Principal paid on revenue bond maturities and capital leases	(11,945)	(15,340)	(9,822)	(530)	(37,637)	—
Interest paid on revenue bonds, capital leases and equipment contracts	(3,512)	(18,954)	(3,633)	(1,430)	(27,529)	(128)
Proceeds from sale of capital assets	—	10,627	—	—	10,627	—
Debt issuance costs	(28)	—	(149)	—	(177)	—
Proceeds from notes	291	—	—	—	291	—
CID sales tax	—	—	—	660	660	—
Passenger facility charges	—	23,822	—	—	23,822	—
Customer facility charges	—	6,810	—	—	6,810	—
Net cash used in capital and related financing activities	(2,945)	(36,257)	(42,986)	(4,229)	(86,417)	(128)
Cash flows from investing activities:						
Purchase of investments	(99,645)	(213,900)	(54,174)	(72,844)	(440,563)	—
Proceeds from sales and maturities of investments	76,465	213,941	67,400	70,411	428,217	—
Interest received	2,957	10,168	3,267	2,640	19,032	—
Cash provided by (used in) investing activities	(20,223)	10,209	16,493	207	6,686	12
Net increase (decrease) in cash and cash equivalents	2,023	1,651	(1,630)	(5,899)	(3,855)	(4,580)
Cash and cash equivalents at beginning of year	1,681	13,954	6,635	9,298	31,568	4,580
Cash and cash equivalents at end of year	\$ 3,704	15,605	5,005	3,399	27,713	—
Components of cash and cash equivalents at end of fiscal year:						
Unrestricted	\$ 863	3,430	1,332	318	5,943	—
Restricted	2,841	12,175	3,673	3,081	21,770	—
	\$ 3,704	15,605	5,005	3,399	27,713	—
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 12,501	(31,862)	10,818	752	(7,791)	24,856
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	10,182	58,030	15,737	391	84,340	818
Changes in assets and liabilities:						
Decrease (increase) in accounts receivables	(1,005)	26	(2,737)	(58)	(3,774)	29
Decrease (increase) in inventories	(103)	(89)	(128)	—	(320)	4,573
Increase in prepaid items	(88)	(928)	(78)	—	(1,094)	—
Decrease (increase) in due from other funds	(739)	—	206	—	(533)	7,301
Increase (decrease) in accounts payable	2,465	(680)	(721)	—	1,064	—
Decrease in current liabilities, excluding debt obligations	(536)	—	(200)	(2)	(738)	—
Increase in liabilities payable from restricted assets, excluding debt obligations	(4,672)	—	(2,698)	—	(7,370)	(2,018)
Increase (decrease) in claims payable	1,105	—	845	—	1,950	—
Increase (decrease) in compensated absences	5,248	371	3,385	—	9,004	(31,166)
Increase (decrease) in compensated absences	301	257	64	—	622	(1,624)
Increase (decrease) in other accrued expenses	532	2,389	370	—	3,291	(2,192)
Total adjustments	12,690	59,376	14,045	331	86,442	(24,279)
Net cash provided by operating activities	\$ 25,191	27,514	24,863	1,083	78,651	577
Noncash capital and related financing activities:						
Contributions of capital assets	\$ 10,015	20,731	47,570	—	78,316	—
Transfers of capital assets	—	—	—	(11,952)	(11,952)	(980)
Increase (decrease) in fair value of investments	208	2,427	526	423	3,584	—

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI

Fiduciary Funds Statement of Net Assets

April 30, 2008

(In thousands of dollars)

	Pension trusts	Private purpose trusts	Agency funds
Assets:			
Cash and cash equivalents	\$ 64,478	815	15,484
Investments:			
U.S. government securities	176,477	—	—
Municipal bonds	201	—	—
Corporate bonds and notes	168,616	—	—
Common and preferred stock	751,298	—	—
Government mortgage-backed securities	60,106	—	—
Partnerships	24,984	—	—
Real estate	85,900	—	—
Short-term investment funds	23,907	—	—
Foreign equities	146,064	—	—
Collective trusts – equities	385,451	—	—
Collective trusts – fixed income	301,310	—	—
Warrants	13	—	—
Futures contracts and options	(313)	—	—
Indexed notes and bonds	5,802	—	—
Receivables:			
Accounts	41	—	1,624
Interest and dividends	4,387	4	24
Other	9,232	—	—
Due from other funds	1,567	—	—
Securities lending collateral	152,365	—	—
Other assets	—	—	1,683
Total assets	2,361,886	819	18,815
Liabilities:			
Accounts payable	66,185	—	5,019
Due to employees	—	—	87
Securities lending collateral	152,365	—	—
Deposits	—	—	13,709
Total liabilities	218,550	—	18,815
Net assets held in trust for pension benefits and other purposes	\$ 2,143,336	819	—

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI
Fiduciary Funds Statement of Changes in Net Assets
Year ended April 30, 2008
(In thousands of dollars)

	Pension trusts	Private purpose trusts
Additions:		
City contributions	\$ 50,070	—
Employee contributions	21,580	—
Other contributions	—	129
Contributions	<u>71,650</u>	<u>129</u>
Investment income (expense):		
Investment income	47,212	30
Net depreciation in fair value of investments	(73,736)	—
Investment expense	(11,237)	—
Securities lending income	10,014	—
Securities lending expense	(9,216)	—
Net investment income (loss)	<u>(36,963)</u>	<u>30</u>
Total additions	<u>34,687</u>	<u>159</u>
Deductions:		
Pension benefits	111,737	—
Employee refunds	4,124	—
Administrative expense	866	—
Nondepartmental	—	56
Total deductions	<u>116,727</u>	<u>56</u>
Net increase (decrease)	<u>(82,040)</u>	<u>103</u>
Net assets, beginning of year	<u>2,225,376</u>	<u>716</u>
Net assets, end of year	<u>\$ 2,143,336</u>	<u>819</u>

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI
Discretely Presented Component Units Combining Statement of Net Assets
April 30, 2008
(In thousands of dollars)

Assets	Land Clearance for Redevelopment Authority	Tax Increment Financing Commission	Police Department	Other	Total
Cash and investments	\$ 84	1,319	12,718	13,564	27,685
Receivables:					
Accounts	260	—	644	7,807	8,711
Notes	2,384	—	26	2,000	4,410
Interest	—	—	—	56	56
Other	—	—	5	104	109
Allowance for uncollectible receivables	—	—	—	(3,499)	(3,499)
Due from other governments	—	—	2,497	—	2,497
Due from primary government	—	—	4,913	45	4,958
Due from component units	—	—	—	45	45
Inventories	—	—	1,646	57	1,703
Restricted assets:					
Cash and investments	—	85,376	1,310	7,467	94,153
Due from primary government	—	24,009	—	—	24,009
Receivables	—	6,213	—	—	6,213
Capital assets, nondepreciable	1,900	—	—	13,963	15,863
Capital assets, depreciable, net	2,708	—	10,725	15,489	28,922
Assets held for redevelopment	930	10,602	—	—	11,532
Bond issue costs, net	—	6,037	—	—	6,037
Other assets	—	—	—	558	558
Total assets	8,266	133,556	34,484	57,656	233,962
Liabilities					
Liabilities:					
Accounts payable	199	639	4,692	922	6,452
Interest payable	—	1,800	—	129	1,929
Compensated absences – current	—	—	7,082	—	7,082
Current maturities of debt	—	4,510	—	1,518	6,028
Other accrued expense	—	—	4,741	2,404	7,145
Due to other governments	—	61	—	—	61
Due to primary government	2,384	—	—	2,953	5,337
Due to component units	—	—	—	45	45
Compensated absences – noncurrent	—	—	25,538	—	25,538
Deferred income	—	—	—	550	550
Net pension obligation	—	—	16,150	—	16,150
Long-term debt	—	491,347	—	3,856	495,203
Net other post employment benefit obligation	—	—	1,901	—	1,901
Other liabilities	—	796	3,179	—	3,975
Total liabilities	2,583	499,153	63,283	12,377	577,396
Net Assets (Deficit)					
Net assets (deficit):					
Invested in capital assets, net of related debt	4,608	—	10,725	25,065	40,398
Restricted for:					
Debt service	—	113,968	—	3,761	117,729
Special programs	—	—	5,142	—	5,142
Revolving capital account	—	—	—	2,488	2,488
Unrestricted	1,075	(479,565)	(44,666)	13,965	(509,191)
Total net assets (deficit)	\$ 5,683	(365,597)	(28,799)	45,279	(343,434)

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI
Discretely Presented Component Units Combining Statement of Activities
Year ended April 30, 2008
(In thousands of dollars)

Functions/Programs	Program revenues			Net (expenses) revenues and changes in net assets				
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Land Clearance for Redevelopment Authority	Tax Increment Financing Commission	Police Department	Other
Land Clearance for Redevelopment Authority	\$ 2,135	212	12,512	542	11,131	—	—	—
Tax Increment Financing Commission	58,591	652	—	16,959	—	(40,980)	—	—
Police Department	202,779	5,490	189,508	777	—	—	(7,004)	—
Other	39,636	26,450	15,595	3,151	—	—	—	5,560
Total	303,141	32,804	217,615	21,429	11,131	(40,980)	(7,004)	5,560
General revenues:								
Investment earnings					68	2,201	500	574
Miscellaneous – contributions					825	—	—	1,222
Tax increment financing					—	79,148	—	—
Total general revenues					893	81,349	500	1,796
Change in net assets					12,024	40,369	(6,504)	7,356
Net assets – beginning					(6,341)	(405,956)	(22,295)	37,923
Net assets – ending					\$ 5,683	(365,597)	(28,799)	45,279

See accompanying notes to basic financial statements.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(1) Summary of Significant Accounting Policies

The City of Kansas City, Missouri (the City) was incorporated in 1850 and covers an area of approximately 318 square miles in Jackson, Clay, Platte and Cass counties in Missouri. The City is a charter city and utilizes a council/manager form of government. The City provides services to its residents in many areas, including public safety, water and sewer services, community environment and development, recreation, and various social services.

The accounting and reporting policies of the City conform to U.S. generally accepted accounting principles (GAAP) applicable to local governments. The following is a summary of the more significant accounting policies and practices of the City.

(a) *Financial Reporting Entity*

The accompanying financial statements present the City's primary government and component units over which the City is financially accountable. Financial accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Component units are reported in the City's financial statements as follows:

Blended Component Units

The following legally separate entities are component units that are, in substance, a part of the City's general operations.

Kansas City Municipal Assistance Corporation (KCMAC) is governed by a seven-member board appointed by the city manager. Although it is legally separate from the City, KCMAC is reported as if it were part of the primary government because its sole function is the financing of municipal projects for the City. The activities of KCMAC are included in the accompanying financial statements as part of the nonmajor governmental funds. KCMAC does not have separately issued financial statements.

The *Police Retirement System* and the *Civilian Employees' Retirement System* are governed by a single seven-member board, as defined by the state statutes. State statutes require the City to provide for and fund the Police Retirement System. The funding requirement is separate and apart from the funding requirement of the Board of Police Commissioners. These retirement systems are reported as if they are a part of the City because their sole function is to administer police benefit programs the City is required to provide. The activities of the retirement systems are included in the accompanying financial statements as pension trust funds.

The City has determined that the Police and Civilian retirement plans are component units of the City because their exclusion from the City's reporting entity would be misleading since the plans provide benefits that ultimately are the City's responsibility to fund.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(b) *Discretely Presented Component Units*

The component unit columns in the financial statements include the financial data of the City's other component units. They are reported in a separate column to emphasize they are legally separate from the City.

1. Land Clearance for Redevelopment Authority (LCRA) eliminates blight within the City limits by acquiring and preparing land for redevelopment. The mayor appoints all five members of the board of commissioners. LCRA annually receives a significant amount of revenues from the City. The complete financial statements may be obtained by writing to LCRA at 100 Walnut St. Suite 1700, Kansas City, Missouri 64106 or by calling (816) 221-0636.
2. Tax Increment Financing (TIF) Commission uses tax increment financing as a method to finance redevelopment project expenses through payments in lieu of taxes and economic activity taxes. The mayor appoints all six members of the TIF board of commissioners. The complete financial statements may be obtained by writing to TIF at 100 Walnut St. Suite 1700, Kansas City, Missouri 64106 or by calling (816) 221-0636.
3. The Kansas City Board of Police Commissioners (Police Department) provides police services for the City and is governed by a five-member board. The mayor is a member, with the four remaining members appointed by the governor of Missouri. Under state statutes, the City must provide funding to the board amounting to at least 20% of the City's general revenues. Further, the board cannot levy taxes or issue bonded debt, powers that are held by the City, to the benefit of the board. As a result of the board's fiscal dependency upon the City, the City is financially accountable for the board. See note 12 for additional details. The complete financial statements may be obtained by writing to The Kansas City Board of Police Commissioners at 1125 Locust, Kansas City, Missouri 64106 or by calling (816) 234-5354.
4. Economic Development Corporation (EDC) is a business and economic development organization. City officials constitute 15 of the 43 members of the EDC board of directors. The City is financially accountable for EDC. The City provides EDC's major source of revenues and approves its budget annually. The complete financial statements may be obtained by writing to EDC at 100 Walnut St. Suite 1700, Kansas City, Missouri 64106 or by calling (816) 221-0636.
5. KCCID - Charitable Trust merges public and private funds and development incentives to acquire, construct, maintain, and operate redevelopment projects. KCCID has a five-member board of directors consisting of four Economic Development Corporation (EDC) board members, including a city council member and the president of EDC. The City has provided significant funding, by use of federal grants, to KCCID, which reflects KCCID's dependence on the City. The complete financial statements may be obtained by writing to KCCID at 100 Walnut St. Suite 1700, Kansas City, Missouri 64106 or by calling (816) 221-0636.
6. Port Authority of Kansas City, Missouri (Port Authority) is responsible for the planning and development of the Missouri River within the City's corporate limits. The mayor appoints all seven members of the board of commissioners. The City is able to impose its will on the Port

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Authority. The complete financial statements may be obtained by writing to the Port Authority at 100 Walnut St. Suite 1700, Kansas City, Missouri 64106 or by calling (816) 221-0636.

7. Maintenance Reserve Corporation (MRC) administers a home maintenance program provided to certain homeowners participating in loan programs formerly administered for the City by the Housing and Economic Development Financial Corporation. MRC is governed by a four-member board of directors appointed by the city manager. Funding of MRC's activities is provided primarily by federal grants obtained by the City. The complete financial statements may be obtained by writing to MRC at 600 Broadway, Kansas City, Missouri 64106 or by calling (816) 472-2921.
8. Downtown Economic Stimulus Authority of Kansas City, Missouri (DESA) reviews development projects wishing to use the state revenues authorized by the Missouri DESA and makes formal recommendations to the City Council and the Missouri Development Finance Board. The mayor appoints 12 of the 13 members of the board of commissioners. The City is able to impose its will on the DESA. The complete financial statements may be obtained by writing to the Downtown Economic Stimulus Authority at 100 Walnut St. Suite 1700, Kansas City, Missouri 64106 or by calling (816) 221-0636.
9. Kansas City International Airport – Community Improvement District (KCICID) provides a financial benefit to the City by collecting sales and use taxes within the district to address economic, social, and infrastructure needs within the district as well as providing management, operational, and ownership duties for all real and personal property either owned, leased to, or from the KCICID. The mayor appoints all five members of the KCICID board of directors. The complete financial statements may be obtained by writing to the Kansas City, Missouri International Airport at 601 Brasilia Ave., Kansas City, Missouri 64153 or by calling (816) 243-3000.
10. Performing Arts Community Improvement District provides a financial benefit to the City by collecting sales taxes and fees, rents, and other charges within the district for the purpose of funding the expansion and improvements of the downtown Kansas City, MO area surrounding Bartle Hall and the Performing Arts Center. The mayor appoints all eight members of the board of directors. The complete financial statements may be obtained by writing to the City of Kansas City, Missouri, Finance Department at 414 E. 12th St. Suite 302, Kansas City, MO 64106 or by calling (816) 513-1187.
11. The American Jazz Museum (AJM) is responsible for overseeing the construction/renovation and maintenance of the Jazz Hall of Fame, the GEM Theatre, the Negro Baseball Hall of Fame (the Cultural Facility), and the Museum. The City appoints a voting majority of the governing body and can impose its will upon AJM. The complete financial statements may be obtained by writing the AJM at 1616 East 18th Street, Kansas City, Missouri 64108 or by calling (816) 474-8463.
12. Metropolitan Ambulance Service Trust (MAST) provides municipal ambulance services. The mayor appoints all seven members of the MAST board of trustees. The City annually provides significant operating subsidies to MAST. The complete financial statements may be obtained

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

by writing to MAST at 6750 Eastwood Trafficway, Kansas City, Missouri 64129 or by calling (816) 924-1700.

(c) *Basis of Presentation*

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities report the overall financial activity of the City and its component units, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the government-wide, business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund

The general fund is the main operating fund of the City and accounts for all financial transactions not accounted for in other funds. The general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are financed through revenues received by the general fund.

Capital Improvements Fund

The capital improvements fund is used to account for the financing of capital improvement projects not financed by other funds or by long-term debt. Revenues received by this fund come primarily from a sales tax allocation for capital improvements and from federal and state grants and other contributions.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The City reports the following major enterprise funds:

Water Fund

The water fund accounts for activities of the City's water distribution system. Revenues are derived mainly from water service and installation charges.

Kansas City Airports Fund

The Kansas City airports fund accounts for the operations of the City's two airports: Kansas City International Airport (KCI) and the Charles B. Wheeler Downtown Airport. Revenues are derived principally from hangar and terminal building rental, landing fees, and parking.

Sewer Fund

The sewer fund accounts for the activities of the wastewater collection and treatment system. Revenues are derived primarily from sewer users' service charges and fees.

The City reports the following additional fund types:

Enterprise Funds

These funds account for the operation of public parking garages and the proceeds from a special facility bond issue and the related lease agreement for the aircraft maintenance and overhaul base located at the Kansas City International Airport. The public parking garage fund (Auditorium Plaza Garage) was closed at the end of fiscal year 2008.

Internal Service Funds

These funds account for the costs of the cumulative insurance reserve and the working capital for public works, engineering services, storerooms and duplicating, parks and recreation, information technology, and general services on a cost-reimbursement basis. Internal Service Funds were closed at the end of fiscal year 2008.

Pension Trust Funds

These funds account for moneys held in trust by the City for pension benefits. The City uses pension trust funds to account for the retirement plans for regular employees, firefighters, police officers, and civilian employees of the Police Department.

Private Purpose Trust Funds

These funds account for moneys held in trust by the City, other than those reported in pension trust funds, under which principal and income benefit individuals, private organizations, or other governments. The City uses private purpose trusts to account for funds held for employee memorials, municipal correctional facility inmate canteen operations, and various donations provided to the City by citizens and other interested parties.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Agency Funds

These funds account for moneys held by the City on behalf of others as their agent. The City uses agency funds to account for various special deposits, municipal court appearance bonds, Police Department grants, payroll and insurance benefits, and other various deposits.

Permanent Fund

This permanent fund accounts for moneys held by the City for future preservation of the Liberty Memorial and its museum. The primary source of revenue was the tax collections in excess of \$30,000,000 of the ½ of 1% sales tax that was in effect from May 1999 until September 2000 and the interest earned on these collections.

(d) Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, income taxes, sales taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the period for which the levy is intended to finance. For example, the calendar 2007 levy is recognized as revenue for the year ended April 30, 2008. Revenues from assessed taxes, principally income, sales, and utility franchise taxes, are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants and other contributions are recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized once earned as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources that are susceptible to accrual include property taxes, sales taxes, utility franchise taxes, income taxes, special assessments, interest, and certain state and federal grants and entitlements. All other revenue sources, including licenses and permits, fines and forfeitures, and miscellaneous revenues, are considered to be measurable and available only when cash is received.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Enterprise fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenue includes activities that have characteristics of exchange transactions, including charges for services. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as grants, subsidies, and investment income. Operating expenses include the cost of service, payroll, administrative expenses, contractual services, and depreciation. All expenses not meeting the above criteria are classified as nonoperating.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with, or contradict guidance of, the Governmental Accounting Standards Board (GASB). The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

(e) Adoption of New Accounting Pronouncements

Effective May 1, 2007, the City adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB Statement No. 45). This statement establishes accounting and financial reporting standards for employers that participate in a defined benefit "other postemployment benefit" (OPEB) plan. See note 11 for additional information, including the impact of adoption.

Effective May 1, 2007, the City adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* (GASB Statement No. 48). This statement establishes criteria for governments to use to account for the exchange of an interest in their expected receivables or specific future revenues for immediate cash payments. This statement also requires disclosures pertaining to future revenues that have been pledged or sold. Adoption of this statement had no impact on the financial statements other than additional disclosures. See note 16 for additional information.

(f) Cash and Cash Equivalents

For purposes of the statements of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(g) Investments

All investments are reported at fair value. The fair value of marketable securities is based on quotations that are generally obtained from national securities exchanges. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or national pricing services.

(h) Inventories

Inventories are stated at cost (average or first-in, first-out), which is not in excess of market. Inventories consist primarily of materials and supplies held for consumption. The cost is recorded as

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

an expense at the time individual inventory items are used in the proprietary funds. Governmental funds record an expenditure at the time of the purchase of the inventory item. The balance of inventory items in the governmental funds is not considered significant.

(i) ***Capital Assets***

Capital assets include land, buildings, improvements, equipment, fountains, sculptures, monuments, and infrastructure assets (for example, roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets, excluding land, are defined by the City as assets with a cost greater than a certain minimum capitalization threshold and an estimated useful life of at least one year. The minimum capitalization thresholds are \$5,000 for equipment and vehicles, \$25,000 for land improvements, and \$100,000 for building improvements. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets not completed by year-end have been reported as construction in progress.

The City elected the modified approach for certain infrastructure assets (roadway system, bridges and street lighting) and the depreciation approach for the remaining infrastructure assets.

The modified approach for reporting infrastructure assets takes into consideration the fact that many infrastructure assets may reasonably be expected to continue to function indefinitely if they are adequately preserved and maintained. Therefore, these particular assets would not be depreciated over a useful life. The City has established an asset management system and has committed to maintain the following networks of infrastructure assets at a predetermined condition level as determined by the City's Public Works Department; (1) roadway system, (2) bridges, and (3) street lighting. The Required Supplementary Information section of this report provides additional information regarding the condition assessments and the estimated and actual costs to maintain the assets.

Major outlays for capital improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. Interest capitalized is computed by applying the effective interest rate on the borrowings each year to the average balance of the applicable costs incurred, net of investment income. Interest in the amount of \$3,268,463 was capitalized in 2008.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Property, buildings, equipment, fountains, sculptures, monuments, and infrastructure are depreciated using the straight-line method over the following estimated lives:

	<u>Years</u>
Primary government:	
Buildings and improvements	25 to 100
Improvements other than buildings	10 to 100
Airport, runways, apron, and roads	15
Utility lines and improvements	75
Machinery and equipment	3 to 20
Infrastructure	10 to 30
Water utility plant	50
Other utility plant and equipment	27
Fountains, sculptures and monuments	40

Water utility plants and utility lines and improvements are depreciated on a composite basis over 50 to 75 years. Machinery and equipment are depreciated on a unit basis over 3 to 20 years. At the time of retirement or other disposition of assets for which depreciation is computed on the composite method, the original cost of the assets is removed from the asset and accumulated depreciation accounts, and no retirement gain or loss is recorded. For retirements of assets for which depreciation is computed on the unit method, the asset and related depreciation are removed from the asset and accumulated depreciation accounts. When the asset is sold, the difference between the net carrying value and any proceeds is recorded as income or loss.

(j) *Compensated Absences*

City employees are granted vacation and sick leave in varying amounts. Vacation is accumulated at an annual rate of 10 to 20 days, depending on the employee's length of service. Sick leave is accumulated at the rate of 3.7 hours per two-week pay period, with the exception of firefighters, who accumulate 5.5 hours. The maximum amount of vacation that may be carried forward is two times the amount earned in a year. Sick leave with pay may be accumulated up to a limit of 2,080 hours for labor class employees and 3,000 hours for all others. Upon separation from service, employees may convert accrued sick leave at the ratio of four hours of sick leave to one hour of vacation leave credit. Retiring employees 55 years or older with at least 25 years of creditable service; employees who are to receive a line-of-duty disability pension; and employees who qualify for a City pension and retire with a normal retirement, take early retirement at age 60 or thereafter, or die are entitled to sick leave credit at the rate of two hours of sick leave to one hour of vacation leave credit.

The liability for compensated absences reported in the government-wide and proprietary fund financial statements has been calculated using the vesting method in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(k) Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported in the statements of net assets as liabilities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective-interest method. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Gains/losses on refunding bonds are deferred and amortized over the shorter of the new bond's life or the remaining life of the refunded bonds. Bonds payable are reported net of the applicable bond premium or discount. For years beginning after April 30, 2002, bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums and discounts, as well as issuance costs are recognized, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Gains/losses on refunding bonds are not broken out separately within the other financing sources/uses section.

(l) Contingency Liabilities

Certain debt issuances of entities other than the City to fund tax increment financing projects include a commitment by the City to fund any deficit in principal and interest payments.

The City's annual appropriation pledge is used to backstop shortfalls resulting from insufficient revenues that are pledged to annual debt service payments on certain economic development debt issuances (e.g. IIF, MDFB, LCRA). The City monitors the probability of having to make a payment on these debt issuances. Projected revenues are compared to projected debt service for the remaining life of the obligation. Revenue projections used in the analysis are those that were provided with the approved economic development project. Revenue projections are adjusted as projects mature and historical trends are revealed. Debt service projections are adjusted for variable rate demand obligations. If it is probable that the City will have to fund the deficit the City records a liability for this deficit.

See note 7 (A-92) for additional information.

(m) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Encumbrances outstanding at year end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. Such encumbrances serve as authorizations for expenditures in the subsequent year. Designation of fund balances represents tentative plans for future use of financial resources that are subject to change.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(n) *Net Assets*

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

- *Invested in Capital Assets, Net of Related Debt* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is generally the City's policy to use restricted resources first, then unrestricted resources as they are needed.
- *Unrestricted* – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(o) *Interfund Transactions*

Transactions between City funds are accounted for as revenues and expenditures or expenses in the funds involved if they are similar to transactions with organizations external to City government.

Reimbursements for expenditures made on behalf of another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transfers of resources from a fund receiving revenues to a fund through which the revenues are to be expended are separately reported as a transfer in the respective funds' operating statements.

(p) *Special Assessments*

The City acts as an agent on certain construction projects financed by third-party lenders and repaid by assessments to property owners benefited. The City reports these arrangements in the agency funds, special revenue funds, and enterprise funds as special assessments receivable and deposits.

(q) *Contributions and Grants*

Government-Wide Financial Statements – Contributions and grants for both capital and operating purposes are broken out by function under program revenues.

Governmental Funds – Contributions and grants for both capital and operating purposes are included in revenues.

Proprietary Funds – Contributions of, or for, capital assets (including those received from other City funds), grants, and assistance received from other governmental units for the acquisition of capital assets are reported in changes in net assets.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(r) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) *New Accounting Pronouncements Not Adopted*

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB Statement No. 49). This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The City will implement GASB Statement No. 49 beginning with the year ending April 30, 2009.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27* (GASB Statement No. 50). This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The City will implement GASB Statement No. 50 beginning with the year ending April 30, 2009.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB Statement No. 51). This Statement establishes accounting and financial reporting requirements for intangible assets, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The City will implement GASB Statement No. 51 beginning with the year ending April 30, 2011.

In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* (GASB Statement No. 52). This Statement establishes consistent standards for the reporting of land and other real estate held as investments by endowments. It requires endowments to report their land and other real estate investments at fair value. The City will implement GASB Statement No. 52 beginning with the year ending April 30, 2010.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement is intended to improve how state and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. The statement specifically requires governments to measure most derivative instruments at fair value in their financial statements. The guidance in this statement also addresses hedge accounting requirements and is effective for the City for the year ending April 30, 2011.

The City has not completed its assessment of the impact of the adoption of these statements except for GASB Statement No. 50, as this only impacts disclosures.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(1) *Reclassifications*

Certain reclassifications have been made to present prior year information.

(2) **Deposits and Investments**

(a) *Primary Government*

(i) **Deposits**

The City maintains a cash and investment pool that is available for use by all funds. The pool is comprised of demand and time deposits, repurchase agreements, and other investments with maturities of less than five years. At April 30, 2008, the carrying amount (book value) of the City's deposits, including certificates of deposit and the collateralized money market account was \$76,412,012 which was covered by federal depository insurance or by collateral held by the City's agents under joint custody agreements in accordance with the City's administrative code. A difference exists between book and bank balances of \$10,712,590 due to deposits in transit and other reconciling items.

(ii) **Investments – Pooled and Restricted**

The City is empowered by City Charter to invest in the following types of securities (excluding pension assets):

1. *United States Treasury Securities (Bills, Notes, Bonds and Strips).* The City may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. *United States Agency/GSE Securities.* The City may invest in obligations issued or guaranteed by any agency of the United States Government and in obligations issued by any government sponsored enterprise (GSE) which have a liquid market and a readily determinable market value that are described as follows:
 - a. *U.S. Govt. Agency Coupon and Zero Coupon Securities.*
 - b. *U.S. Govt. Agency Callable Securities* Restricted to securities callable at par only.
 - c. *U.S. Govt. Agency Step-Up Securities.* The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate.
 - d. *U.S. Govt. Agency Floating Rate Securities.* Restricted to coupons with no interim caps that reset at least quarterly and that float off of only one index.
 - e. *U.S. Govt. Agency Mortgage Backed Securities (MBS, CMO, Pass-Thru Securities).* Restricted to securities with final maturities of five (5) years or less or have the final projected payment no greater than four (4) years when analyzed in a +300 basis point interest rate environment. Restricted to obligations of FNMA, FHLMC and GNMA only.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

3. *Repurchase Agreements.* The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers. The Bond Market Association's guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreement transactions will be either physical delivery or tri-party.
4. *Bankers' Acceptances.* The City may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.
5. *Commercial Paper.* The City may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. (Moody's) or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized rating agency at the time of purchase. In addition, the City's portfolio may not contain commercial paper of any one corporation, the total value of which exceeds 2% of the City's aggregate investment portfolio.
6. Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard and Poor's or Moody's.
7. Any full faith and credit obligations of any county in which the city is located rated at least AA or Aa2 by Standard and Poor's or Moody's.
8. Any full faith and credit obligations of any school district in Kansas City, Missouri rated at least AA or Aa2 by Standard and Poor's or Moody's.
9. Any full faith and credit obligations or revenue bonds of the City of Kansas City, Missouri rated at least AA or Aa2 by Standard and Poor's or Moody's.
10. Any municipal obligation as defined in (6), (7), (8) or (9) that is not rated but either pre-refunded or escrowed to maturity with U.S. Treasury Securities as to both principal and interest.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the final maturity on any security owned to a maximum of five years. In addition, the City compares the weighted average maturity of its portfolio to the weighted average maturity of the Merrill Lynch 1 – 3 year Government/Agency index, and relative to the index, may decrease the weighted average maturity of the portfolio during periods of rising interest rates or increase it during periods of declining rates. As of April 30, 2008, the City had the following investments and maturities (amounts are in thousands):

		Investment Maturities (In Years)					Weighted average
		Fair value	Less than 1	1 – 2	2 – 3	3 – 5	
Investment type:							
Pooled investments:							
Money market account	\$	35,043	35,043	—	—	—	0.01
Certificates of deposit		23,350	23,350	—	—	—	0.24
Commercial paper		8,000	8,000	—	—	—	0.01
Municipal securities		10,003	—	1,455	—	8,548	3.72
U.S. Treasury bills		9,931	9,931	—	—	—	0.44
U.S. Treasury notes/bonds		119,747	63,328	56,419	—	—	0.96
U.S. Agencies – noncallable		281,275	157,454	21,695	44,708	57,418	1.51
U.S. Agencies – callable		229,961	86,719	—	—	143,242	2.84
Mortgage-backed agency		42,618	23,060	11,425	2,353	5,780	1.22
Total pooled		759,928	406,885	90,994	47,061	214,988	1.70
Non-pooled investments:							
U.S. Agencies – noncallable		69,560	58,066	7,737	—	3,757	0.73
U.S. Agencies – callable		16,885	—	—	2,553	14,332	4.30
Total non-pooled		86,445	58,066	7,737	2,553	18,089	1.43
Grand total	\$	846,373	464,951	98,731	49,614	233,077	1.67

Callable Agency Securities. The City actively monitors its callable bond portfolio with respect to probability of call relative to market rates of interest. As of April 30, 2008, the total fair value of the City's callable bond portfolio (pooled and non-pooled) is \$246,846,216.

Mortgage-Backed Securities. The City has invested in collateralized mortgage obligation securities issued by the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). Details of those securities are as follows:

FHR 2984 A, \$10,000,000 original par value. The security was purchased on June 30, 2005, and has a stated final maturity of July 15, 2010. The security has a fixed coupon rate of 5.50% and pays principal and interest monthly. Based on current prepayment speeds using industry-standard modeling, the City's principal amount should be fully retired in September, 2008. At April 30, 2008, the security had a remaining face value of \$2,874,371, a book value of \$2,874,371, and a fair value of \$2,876,167.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

FHR 3149 QD, \$10,000,000 original par value. The security has a fixed coupon rate of 5.00% and pays principal and interest monthly. The security was purchased on January 5, 2007, and although has a stated final maturity of September 15, 2025, the security is one of the first five tranches to begin receiving principal payments. Based on current prepayment speeds using industry-standard modeling, the City's principal amount should be fully retired in July 2010. At April 30, 2008, the security had a remaining face value of \$7,963,346, a book value of \$7,922,721, and a fair value of \$8,003,163.

FHR 3294 CA, \$10,000,000 original par value. The security has a fixed coupon rate of 5.50% and pays principal and interest monthly. The security was purchased on July 18, 2007, and although has a stated final maturity of April 15, 2026, the security is the first tranche to begin receiving principal payments. Based on current prepayment speeds using industry-standard modeling, the City's principal amount should be fully retired in May 2009. At April 30, 2008, the security had a remaining face value of \$5,996,748, a book value of \$5,967,611, and a fair value of \$6,025,326.

FHR 3388 CG, \$20,000,000 original par value. The security was purchased on November 30, 2007, and has a stated final maturity of December 15, 2011. The security has a fixed coupon rate of 5.00% and pays principal and interest monthly. Based on current prepayment speeds using industry-standard modeling, the City's principal amount will be fully retired in December 2011. At April 30, 2008, the security had a remaining face value of \$16,731,148, a book value of \$16,731,148, and a fair value of \$16,818,066.

FNR 2005-101 NA, \$17,000,000 original par value. The security has a fixed coupon rate of 5.00% and pays principal and interest monthly. The security was purchased on December 12, 2007, and although has a stated final maturity of March 23, 2024, the security is the first tranche to begin receiving principal payments. Based on current prepayment speeds using industry-standard modeling, the City's principal amount will be fully retired in February 2010. At April 30, 2008, the security had a remaining face value of \$8,870,557, a book value of \$8,870,557, and a fair value of \$8,895,851.

Credit Risk

Credit risk is the risk that the City will not recover its investments due to the inability of the counterparty to fulfill its obligation. In order to prevent overconcentration by investment type and thereby mitigate credit risk, the City's investment policy provides for diversification of the portfolio by investment type as follows:

Investment type	Maximum
U.S. Treasury securities and government guaranteed securities	100%
Collateralized time and demand deposits	100
U.S. government agency and GSE securities	80
Collateralized repurchase agreements	50
U.S. Agency callable securities	30
Commercial paper	30
Bankers acceptances	30
Qualified municipal obligations	10

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

As of April 30, 2008, the City had the following pooled and non-pooled investment balances, which are rated by both Moody's and Standard and Poor's (amounts are in thousands):

Account/investment type	Fair value	Moody's/S&P ratings
U.S. Treasury securities	\$ 129,678	
U.S. agency securities	640,299	Aaa/AAA
Commercial paper	8,000	A-1+ / P-1
Municipal securities	10,003	Aaa/AAA
Total	\$ 787,980	

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party (i.e., the City's safekeeping institution).

The City's investment policy requires that all funds on deposit with any financial institution be secured with collateral securities in an amount equal to at least 102% of the deposit less any amount insured by the Federal Deposit Insurance Corporation (FDIC), or any other governmental agency performing a similar function. As of April 30, 2008, all deposits were adequately and fully collateralized.

The City's investment policy requires that all investment securities be held in the City's name in the City's safekeeping account at its safekeeping institution, thereby mitigating custodial credit risk. As of April 30, 2008, all investment securities were in the City's name in the City's safekeeping accounts at its safekeeping institutions. In addition, all collateral securities were in the City's joint custody account(s) at the Federal Reserve Bank and were either U.S. Treasury (U.S. government guaranteed) or U.S. agency (Aaa/AAA rated) obligations.

Concentration of Credit Risk

More than 5% of the City's investments are in the following U.S. agency discount note/securities: Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. These investments are 9%, 27%, 18%, and 20%, respectively, of the City's total investments. In our opinion, the debt securities issued by these agencies do not have an explicit government guarantee, but rather an implied guarantee, and therefore, the City does not impose limits as to the concentration of any one agency. However, total agency securities in the portfolio are limited by the investment policy to 80% of the total portfolio value.

(iii) Investments -- Trustee-Held

In the normal course of business, the City finances various projects by issuing debt in the form of municipal bonds. Cash raised by the issuance of such debt is placed with a trustee bank. All investment activity within such accounts is governed by the City's Investment Policy, except that

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

excess cash is allowed by the bond indentures to be invested in overnight, U.S. Government and U.S. Agency money market funds.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's trustee-held investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the final maturity on any trustee-held security owned to a maximum of five years. In addition, covenants in the bond documents often limit the final maturity of such investments to shorter periods of time. As of April 30, 2008, the City had the following trustee-held investments and maturities (amounts are in thousands):

Investment type	Investment Maturities (In Years)					Weighted average
	Fair value	Less than 1	1 - 2	2 - 3	3 - 5	
Trustee-held investments						
Money market accounts	210,637	210,637	—	—	—	0.01
U.S. agencies - noncallable	20,388	16,183	4,205	—	—	0.58
U.S. agencies - callable	4,773	—	—	4,773	—	2.55
Total	<u>235,798</u>	<u>226,820</u>	<u>4,205</u>	<u>4,773</u>	<u>—</u>	<u>0.10</u>

Credit Risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligation. In order to mitigate credit risk, the City limits its trustee-held investment activity to overnight money market funds (as described above), U.S. Government securities and U.S. Agency securities.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party (i.e., the Trustee bank).

As of April 30, 2008, all trustee-held investment securities were in the City's name in the Trustee bank's safekeeping accounts at the Federal Reserve Bank, thereby mitigating custodial credit risk.

(iv) Summary

The following is a complete listing of cash and investments held by the City at April 30, 2008 (in thousands):

Deposits	\$	18,054
Investments		846,373
Trustee accounts		235,798
Imprest funds		<u>71</u>
Total	\$	<u>1,100,296</u>

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The deposits and investments of the City at April 30, 2008 are reflected in the statements of net assets as follows (in thousands):

	Government- wide statement of net assets	Fiduciary funds statement of net assets (excluding pension trusts)	Total
Cash and investments	\$ 615,605	16,299	631,904
Restricted cash and investments	468,392	—	468,392
	<u>\$ 1,083,997</u>	<u>16,299</u>	<u>1,100,296</u>

(b) *Employees' Retirement System*

Deposits and Investments

The City administrative code and ordinances passed by the City Council provide that the Employees' Retirement System (the Plan) investments may include, but are not limited to, obligations of the U.S. government, State of Missouri, and municipal corporations, including school districts, corporate bonds, real estate mortgages, common and preferred stocks, partnerships, collective trusts and derivatives. The Plan purchases investments from U.S. Securities and Exchange Commission registered securities broker-dealers and banks through its investment managers. Investments in U.S. Treasury obligations are held at the Federal Reserve Bank through the customer account of a financial institution.

Custodial Credit Risk

The deposits are held in multiple financial institutions with a balance of up to \$100,000 insured by the FDIC. The Plan has not established a policy in regard to custodial credit risk. At April 30, 2008, \$1,142,892 of deposits were uninsured and uncollateralized.

Cash balances represent both operating cash accounts held by the banks and investment cash on deposit with the investment custodian.

Credit Risk

The Plan's policy is that fixed income securities must have a minimum investment quality of "B" at the time of purchase. The weighted average credit rating of the portfolio must have a minimum investment quality of "A." As of April 30, 2008, the Plan's fixed income assets that are not government guaranteed represented 87.9% of the fixed income portfolio. The following table summarizes the Plan's fixed income portfolio exposure levels and credit qualities at April 30, 2008.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Average credit quality and exposure levels of nongovernment guaranteed securities (in thousands):

Fixed income security type	Fair value April 30, 2008	Percentage of all nongovernment guaranteed fixed income assets	S&P weighted average credit quality	Ratings dispersion requiring further exposure
Corporate bonds	\$ 47,356	18.50%	A	See below
Government securities -- nonguaranteed	63,850	24.94	AAA	None
Indexed notes and bonds	5,802	2.24	AAA	See below
Collective trusts	138,995	54.29	Not rated	None
Total investments	\$ 256,003	100.00%		

The following table summarizes ratings dispersion requiring further exposure at April 30, 2008 (in thousands):

Credit rating level	Corporate bonds	Indexed notes and bonds
AAA	\$ 235	5,802
AA	2,655	—
A	5,337	—
BBB	11,620	—
BB	5,670	—
B	6,747	—
CCC	1,150	—
Not rated	13,942	—
Total	\$ 47,356	5,802

Each portfolio is managed in accordance with operational guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios.

Credit risk for derivative instruments held by the Plan results from counterparty risk assumed by the Plan. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the Plan's credit risk related to derivatives is found under the derivatives disclosures found below.

Concentration of Credit Risk

The Plan's policy for each specific portfolio limits investments in any corporate entity to no more than 5% of the market value of the account for actively managed portfolios, excluding U.S.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

government and agency obligations. As of April 30, 2008, there were no investments in any corporate entity greater than 5%. Approximately 5.5% of the Plan's investments are in Federal National Mortgage Association as of April 30, 2008.

Interest Rate Risk

This risk is managed within the portfolio using the effective duration of option-adjusted methodology. The Plan's policy is to manage duration to a maximum 25% of underweighting/overweighting relative to the Lehman aggregate bond index.

Effective duration of fixed income assets by security type at April 30, 2008 (in thousands):

Fixed income security type	Fair value April 30, 2008	Percentage of all fixed income assets	Weighted average effective duration (years)
Government securities	\$ 98,891	33.98%	18.2
Corporate bonds	47,356	16.27	12.8
Indexed notes and bonds	5,802	1.99	16.4
Collective trusts	138,995	47.76	4.7
Total investments	\$ 291,044	100.00%	

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Plan's currency risk exposures, or exchange rate risk, primarily reside within the Plan's cash and cash equivalent holdings through the Plan's various asset managers. The Plan's policy for each specific portfolio does not place limits on the amount of foreign exposure that can be held by the individual asset managers. There was no exposure to foreign currency risk as of April 30, 2008.

Derivative Financial Instruments

Some of the Plan's managers invest in derivative securities. A derivative security is an investment whose payoff depends upon the value of other assets, such as bond and stock prices, a market index, or commodity prices. During the year, derivative investments include futures and options. These derivatives are used to add incremental value at the margin and to hedge or reduce risk. They were used mainly to adjust yield curve exposure, add yield, and adjust the duration of the portfolio. Derivative transactions involve, to varying degrees, credit risk, and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts, and degree of risk that investment managers may undertake. The Board and senior management of the Plan approve these limits. The Plan's investment consultant reviews the risk positions of the investment managers on a regular basis to monitor compliance with the limits.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The Plan's investment managers utilize financial futures to replicate an underlying security they desire to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Financial futures contracts are also used to improve the yield or adjust the duration of the portfolio. Financial futures contracts are agreements to buy or sell a specified amount at a specified delivery or maturity date for an agreed-upon price. The market values of the futures contracts vary from the original contract price; a gain or loss is recognized and paid to or received from the clearinghouse. Financial futures represent an off-balance-sheet obligation as there are no balance sheet assets or liabilities associated with those contracts. The cash or securities to meet these obligations are held in the investment portfolio.

The board's investment managers utilize options in an effort to add value to the portfolio (collect premiums) or protect (hedge) a position in the portfolio. Options are agreements that give one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specific price (called the strike price) on or before a specified expiration date. As the writer of financial options, the Plan receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the instrument underlying the option. As the purchaser, the Plan pays a premium at the outset of the agreement, and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The Plan's collective trusts also invest in various derivatives; however, these holdings are not reflected in the following table. The following table presents the futures and options positions held by the Plan as of April 30, 2008 (in thousands):

	April 30, 2008		Fair value of futures/ options
	Number of contracts	Contract principal*	
Domestic:			
Fixed income futures purchased:			
5-year note due June 2008	133	\$ 14,894	—
U.S. long bond due June 2008	61	7,130	—
Fixed income futures sold:			
10-year note due June 2008	162	18,762	—
Fixed income purchased call options:			
U.S. bond future option due June 2008	10	1,158	—
U.S. bond future option due June 2008	2	234	1
Fixed income written call options:			
U.S. 10-year future option due June 2008	10	1,158	(4)
U.S. 10-year future option due June 2008	78	9,033	(15)
U.S. 10-year future option due June 2008	6	695	(1)
U.S. 10-year future option due June 2008	4	463	—
U.S. 10-year future option due June 2008	39	4,462	(27)
U.S. 10-year future option due Sept 2008	10	1,144	(11)
U.S. bond future option due June 2008	12	1,403	(9)
Fixed income written put options:			
U.S. 10-year future option due June 2008	8	896	(5)
U.S. 10-year future option due June 2008	18	2,016	(23)
U.S. 10-year future option due June 2008	41	4,748	(5)
U.S. 10-year future option due June 2008	26	3,011	(13)
U.S. 10-year future option due June 2008	10	1,158	(9)
U.S. 10-year future option due June 2008	36	4,169	(57)
U.S. 10-year future option due June 2008	6	695	(1)
U.S. bond future option due June 2008	4	468	—
U.S. bond future option due June 2008	26	3,039	(14)
U.S. bond future option due June 2008	12	1,403	(16)
			<u>\$ (209)</u>

* Contract principal amounts shown represent the fair value of the underlying assets the contracts control. These are shown to present the volumes of the transactions, but do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk. Contract principal values also do not represent actual statement of plan net asset values.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

	April 30, 2008		Fair value
	Number of	Contract	of futures/
	contracts	principal*	options
Foreign:			
Fixed income futures purchased:			
90-day Euro future due September 2008	51	51,000	\$ —
90-day Euro future due June 2008	131	131,000	—
90-day Euro future due June 2008	30	30,000	—
90-day Euro future due June 2008	37	37,000	—
Fixed income futures sold:			
90-day Euro future due December 2008	1	1,000	—
90-day Euro future due September 2008	2	2,000	—
Fixed income written call options:			
Euro future option due June 2008	4	4,000	—
Euro future option due June 2008	20	20,000	—
Euro future option due June 2008	11	11,000	—
Euro future option due June 2008	8	8,000	—
Euro future option due June 2008	28	28,000	(5)
Euro future option due June 2008	32	32,000	(35)
Euro future option due September 2008	6	6,000	(2)
Euro future option due September 2008	49	49,000	(62)
			<u>\$ (104)</u>

- * Contract principal amounts shown represent the fair value of the underlying assets the contracts control. These are shown to present the volumes of the transactions, but do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk. Contract principal values also do not represent actual statement of plan net asset values.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of Plan net assets.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(c) *Firefighters' Pension System*

Deposits and Investments

The City administrative code and ordinances passed by the City Council provide that the Firefighters' Pension System (the Firefighters' Plan) investments may include, but are not limited to, obligations of the U.S. government, State of Missouri, and municipal corporations, including school districts, corporate bonds, real estate mortgages, and common and preferred stocks. The Firefighters' Plan purchases investments from U.S. Securities and Exchange Commission-registered securities broker-dealers and banks through its investment managers. Investments in U.S. Treasury obligations are held at the Federal Reserve Bank through the customer account of a financial institution.

Custodial Credit Risk

The deposits are held by the investment custodian in a short-term money market account and are not insured by the FDIC. The Firefighters' Plan has not established a policy in regard to custodial credit risk. At April 30, 2008, \$14,610,755 of deposits were uninsured and uncollateralized.

Credit Risk

As of April 30, 2008, the Firefighters' Plan's fixed income assets that are not government guaranteed represented 100% of the fixed income portfolio. The Firefighters' Plan has not established a policy in regard to credit risk. The following table summarizes the Firefighters' Plan's fixed income portfolio exposure levels and credit qualities at April 30, 2008 (in thousands):

Fixed income security type	Fair value	Percentage of all fixed income assets	Weighted average credit quality
Collective trusts	\$ 162,315	100.0%	Not rated

Each portfolio is managed in accordance with operational guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios.

Concentration of Credit Risk

The Firefighters' Plan's policy for each specific portfolio limits investments in any corporate entity to no more than 5% of the market value of the account for actively managed portfolios, excluding U.S. government and agency obligations. As of April 30, 2008, there were no investments in any corporate entity or government agency greater than 5%.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Interest Rate Risk

The Firefighters' Plan has not established a policy in regard to interest rate risk. The following table summarizes the effective duration of fixed income assets by security type at April 30, 2008 (in thousands):

<u>Fixed income security type</u>	<u>Fair value</u>	<u>Percentage of all fixed income assets</u>	<u>Weighted average effective duration years</u>
Collective trusts	\$ 162,315	100.0%	3.7

Risks and Uncertainties

The Firefighters' Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of the Firefighters' Plan net assets.

(d) *Civilian Employees' Retirement System and Police Retirement System*

Deposits

The Civilian Employees' Retirement System and Police Retirement System's (the Civilian & Police Plans) deposit policies for custodial credit risk require compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Missouri; bonds of any city, county, school district, or special road district of the State of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

The Civilian & Police Plans had no bank balances exposed to custodial credit risk at April 30, 2008.

Investments

For the year ended April 30, 2008, Northern Trust was the master custodian for significantly all of the securities of the Civilian & Police Plans. The investments held by the Civilian & Police Plans are managed by 11 Board-Appointed money managers. Each of the money managers has a different asset allocation based on board-approved policy. The Civilian & Police Plans may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, corporate bonds, and equity securities.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Securities Lending Transactions

State statutes and the Civilian & Police Plans' board policies permit the Civilian & Police Plans to use investments of the Civilian & Police Plans to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Civilian & Police Plans have contracted with Northern Trust as their third-party lending agent to lend domestic equity and debt securities for cash collateral of not less than 102% of the market value and international debt and equity securities of not less than 105% of the market value. At April 30, 2008, management believes the Civilian & Police Plans have no credit risk exposure to borrowers because the amounts the Civilian & Police Plans owe the borrowers exceed the amounts the borrowers owe the Civilian & Police Plans. Contracts with the lending agent require it to indemnify the Civilian & Police Plans if borrowers fail to return the securities, if the collateral is inadequate to replace the securities lent, or if the borrowers fail to pay the Civilian & Police Plans for income distributions by the securities' issuers while the securities are on loan; therefore, noncash collateral is not recorded as an asset or liability on the financial statements.

	Civilian	Police
	(In thousands)	
Fair value of securities loaned	\$ 22,591	134,898
Fair value of cash collateral received from borrowers	22,053	130,312
Fair value of noncash collateral received from borrowers	1,074	7,753
Total market value of collateral	\$ 23,127	138,065

All securities loans can be terminated on demand by either the Civilian & Police Plans or the borrower. The cash collateral received on each security loan was invested, in accordance with the Civilian & Police Plans investment guidelines, in short-term funds. The maturities of the resulting investments generally match the maturities of the securities lending arrangements themselves. The Civilian & Police Plans are not permitted to pledge or sell collateral received unless the borrower defaults.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

At April 30, 2008, the Civilian & Police Plans had the following investments and maturities:

Civilian Employees Retirement System						
Type	Fair value	Maturities in years				Loaned under securities lending agreements
		Less than 1	1-5	6-10	More than 10	
U.S. Treasury obligations	\$ 5,445	—	2,002	2,401	1,042	5,077
U.S. agencies obligations	4,803	25	2,999	1,779	—	1,735
Corporate bonds	14,133	684	6,768	4,218	2,463	1,993
Government-backed mortgage securities	7,066	111	—	—	6,955	—
Money market mutual funds	3,771	3,771	—	—	—	—
		<u>\$ 4,591</u>	<u>11,769</u>	<u>8,398</u>	<u>10,460</u>	<u>8,805</u>
Corporate stocks	40,288	—	—	—	—	13,786
Real estate	3,149	—	—	—	—	—
Partnerships	1,037	—	—	—	—	—
Emerging markets	2,924	—	—	—	—	—
Foreign equities	13,775	—	—	—	—	—
	<u>\$ 96,391</u>	—	—	—	—	<u>\$ 22,591</u>

Police Retirement System						
Type	Fair value	Maturities in years				Loaned under securities lending agreements
		Less than 1	1-5	6-10	More than 10	
U.S. Treasury obligations	\$ 32,128	—	14,090	10,358	7,680	25,404
U.S. agencies obligations	35,210	1,243	23,799	10,168	—	14,102
Municipal bonds	201	201	—	—	—	—
Corporate bonds	107,127	5,333	48,238	33,448	20,108	8,268
Government-backed mortgage securities	53,040	867	—	—	52,173	—
Money market mutual funds	20,136	20,136	—	—	—	—
		<u>\$ 27,780</u>	<u>86,127</u>	<u>53,974</u>	<u>79,961</u>	<u>47,774</u>
Corporate stocks	319,895	—	—	—	—	87,124
Real estate	27,001	—	—	—	—	—
Partnerships	8,510	—	—	—	—	—
Emerging markets	22,490	—	—	—	—	—
Foreign equities	106,875	—	—	—	—	—
	<u>\$ 732,613</u>	—	—	—	—	<u>\$ 134,898</u>

Interest Rate Risk – The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately. The debt securities are presented in their respective category based on final maturity date. The Civilian & Police Plans' investment policies do not specifically address exposure to fair value losses arising from rising interest rates.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Credit Risk – It is the Civilian & Police Plans' policies to limit their investments in corporate bonds to those that are rated Baa or better by credit rating agencies. The Civilian & Police Plans' portfolios must have an average rating of A or better in the aggregate as measured by at least one credit rating agency. At April 30, 2008, the Civilian & Police Plans' investments in corporate bonds were rated Baa or better by Standard & Poor's. Additionally, the Civilian & Police Plans' investments in U.S. agencies obligations not directly guaranteed by the U.S. government (including Federal National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation) were rated AAA by Standard & Poor's, and its investment in money market mutual funds were rated AAA by Standard & Poor's. At April 30, 2008, the municipal bonds of the Police Plan had an average rating of A or better. At April 30, 2008, the Civilian & Police Plans' mutual funds were rated AAA by Standard & Poor's. At April 30, 2008, the Civilian & Police Plans' investments in International LSV and G.E. Asset Management foreign equities funds were not rated.

Custodial Credit Risk – Consistent with the Civilian Employees' Retirement System's securities and lending policy, \$22,591,172 was held by the counterparty that was acting as the system's agent in securities lending transactions. In addition, consistent with the Police Retirement System's securities and lending policy, \$134,898,317 was held by the counterparty that was acting as the system's agent in securities lending transactions.

Concentration of Credit Risk – The Civilian & Police Plans limit the amounts that may be invested in any one security at 5% to 15% of total plan assets.

Foreign Currency Risk – The Civilian & Police Plans' investment policies permits investments in international equities, American Depository Receipts (ADRs), warrants, rights, 144A securities, convertible bonds, and U.S. registered securities whose principal markets are outside of the United States. All foreign equities held are denominated in U.S. dollars.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(3) Intergovernmental Receivables

Intergovernmental receivables for the year ended April 30, 2008 are as follows (in thousands):

	General	Capital improvements	Nonmajor governmental funds	Kansas City Airports	Total intergovernmental receivables
Federal government grants and reimbursements for:					
Airport improvement programs	\$ —	—	—	3,831	3,831
Air quality control	—	—	308	—	308
Federal Aid Urban	2,128	15,070	1,498	—	18,696
HOME investment program	—	—	4,740	—	4,740
Economic development initiative	—	—	2,023	—	2,023
Supportive housing	33	—	—	—	33
HIV surveillance	—	—	52	—	52
Ryan White Title II	—	—	1,581	—	1,581
Foster grandparents	62	—	—	—	62
Housing opportunities for persons with AIDS	—	—	343	—	343
Community development block grant	—	—	1,435	—	1,435
Sexually transmitted disease control	—	—	51	—	51
Brownfields development	33	54	—	—	87
Lead poisoning prevention	—	—	99	—	99
Other	75	—	1,380	—	1,455
	<u>2,331</u>	<u>15,124</u>	<u>13,510</u>	<u>3,831</u>	<u>34,796</u>
State of Missouri grants and reimbursements for:					
Motor vehicle fuel tax	—	—	2,553	—	2,553
Gaming tax	—	—	1,731	—	1,731
Hotel and restaurant tax	—	—	3,598	—	3,598
	<u>—</u>	<u>—</u>	<u>7,882</u>	<u>—</u>	<u>7,882</u>
Other governmental units:					
Jackson, Clay, and Platte Counties -- replacement tax	5	—	2	—	7
	<u>5</u>	<u>—</u>	<u>2</u>	<u>—</u>	<u>7</u>
Total intergovernmental receivable	\$ <u>2,336</u>	<u>15,124</u>	<u>21,394</u>	<u>3,831</u>	<u>42,685</u>

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(4) Tax Revenues

Tax revenues of the governmental funds, including interest and penalties, are as follows (in thousands):

	General	Capital improvement	Nonmajor governmental funds	Total governmental fund tax revenues
Earnings and profit	\$ 201,283	—	—	201,283
Sales	—	69,221	94,692	163,913
General property	51,150	—	67,445	118,595
Hotel and restaurant	424	—	38,248	38,672
Local option use tax	23,861	—	6,673	30,534
Gaming	—	—	17,552	17,552
Railroad and utility	—	—	2,837	2,837
Cigarette	3,058	—	—	3,058
	<u>\$ 279,776</u>	<u>69,221</u>	<u>227,447</u>	<u>576,444</u>

The City's property tax is levied each November 1 on the assessed value as of the prior January 1 for all real and personal property located in the City within the counties of Jackson, Platte, Clay, and Cass and is due by December 31. A lien is placed on the personal property effective November 1 and is removed when payment is made. Property taxes are delinquent on January 1 for all properties within Jackson, Platte, Clay, and Cass counties.

Assessed values are established by the Jackson, Clay, Platte, and Cass County assessors subject to review by the counties' Board of Equalization and State Tax Commission. The City is permitted by state statutes to levy taxes up to \$1.00 per \$100 of assessed valuation for general government purposes other than payment of principal and interest on long-term debt; up to \$0.72 per \$100 of assessed valuation for public health, hospital, and recreational grounds; up to \$0.02 per \$100 of assessed valuation for museums; and in unlimited amounts for the payment of principal and interest on long-term debt. Article X, Sections 16 through 24, of the Missouri Constitution, known as the "Hancock Amendment," imposes limits on state and local government taxation and spending. Under the Hancock Amendment, the City may not increase the current levy of any tax, license, or fee above its mandated level without the approval of the required majority of the qualified voters of the City voting thereon. Property tax levies per \$100 assessed valuation for the year ended April 30, 2008 follow:

Fund	Levy
General	\$ 0.6320
Public health	0.6728
Museum	0.0184
Debt service	0.1400
Total general levy rate	<u>\$ 1.4632</u>

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The City collects 2 and 3/8 cents of sales tax for the following purposes:

- One cent for capital improvements authorized through December 31, 2008
- One-half cent for the Kansas City Area Transportation Authority (KCATA), which is reauthorized every two years by state legislature
- One-quarter cent for the City's fire department to be used for operations and improvements, authorized through December 31, 2016
- One-quarter cent to fund a capital plan for public safety, effective October 1, 2002, authorized through June 30, 2011
- Three-eighths cent for the KCATA, effective April 1, 2004, authorized through March 31, 2009

The City collects a convention and tourism tax comprised of the following:

- Two percent on food, beverage, and liquor sales from restaurants (the restaurant tax) The receipts are restricted to capital expenditures, including debt service requirements on KCMAC Bartle Hall Expansion Bonds.
- Seven and one-half percent on gross receipts of hotel and motel room sales (the hotel tax) – 40% of the gross receipts for the Convention and Visitors Bureau, 10% for the neighborhood tourism development fund, and the remaining 50% for operating costs of the Bartle Hall Convention Center.

The City collects an earnings and profits tax equal to the following:

- A levy of 1% on earnings of all Kansas City, Missouri residents and all nonresidents working in Kansas City, Missouri
- A levy of 1% on business net profits

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(5) Interfund Receivables, Payables and Transfers

individual interfund receivable and payable balances at April 30, 2008 are as follows (in thousands):

Payables	Governmental funds				Receivables			
	Major governmental fund—general	Major governmental fund—capital improvements	Nonmajor governmental funds	Total	Fiduciary funds	Enterprise funds		Total
						Water	Sewer	
Major governmental funds:								
General fund	\$ —	—	13,516	13,516	1,567	108	342	15,533
Capital improvements	—	—	4,609	4,609	—	—	—	4,609
Nonmajor governmental funds	—	48,390	9,701	58,091	—	—	—	58,091
Total governmental funds	—	48,390	27,826	76,216	1,567	108	342	78,233
Major enterprise funds:								
Water	492	—	—	492	—	—	49	541
Sewer	210	—	—	210	—	829	—	1,039
Total enterprise funds	702	—	—	702	—	829	49	1,580
Total	\$ 702	48,390	27,826	76,918	1,567	937	391	79,813

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The City initiates interfund receivables and payables for various reasons. The reasons for the major receivables and payables during the current fiscal year are as follows:

General fund payable to nonmajor governmental funds:

- Reimbursement for tax increment financing (TIF) and super-tax increment financing (STIF) activity. Economic activities taxes are collected by the general fund, but are required to be transferred to the TIF and STIF to be passed along to developers through the TIF Commission to reimburse them for costs incurred on TIF/STIF projects.

General fund payable to fiduciary funds:

- Represents employer contributions owed to the pension trust funds.

General fund payable to water and sewer funds:

- Reimbursement for gasoline, garage services, bottled water, lab fees, and snowplowing.

Capital improvement fund payable to nonmajor governmental funds:

- Reimbursement for TIF and STIF activity. Economic activities taxes are collected by the capital improvement fund, but are required to be transferred to the TIF and STIF to be passed along to developers through the TIF Commission to reimburse them for costs incurred on TIF/STIF projects.

Nonmajor governmental funds payable to the capital improvements fund:

- Due to interfund cash borrowing to cover cash deficits

Nonmajor governmental funds payable to nonmajor governmental funds:

- Reimbursement for TIF and STIF activity. Economic activities taxes are collected by various special revenue and capital project funds, but are required to be transferred to the TIF and STIF funds to be passed along to developers through the TIF Commission to reimburse them for costs incurred on TIF/STIF projects.

Water and sewer funds payable to general fund:

- Reimbursement for various operating costs.

Water fund payable to sewer fund:

- Reimbursement for various operating costs.

Sewer fund payable to water fund:

- Reimbursement for various operating costs.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Interfund transfers for the year ended April 30, 2008 are as follows (in thousands):

	Transfers into				
	Major governmental		Non major governmental funds	Internal service funds	Total
	General fund	Capital improvements fund			
Major governmental funds:					
General fund	\$ —	—	47,580	2,232	49,812
Capital improvements fund	—	—	11,602	360	11,962
Nonmajor governmental funds	1,589	7,835	84,183	4,688	98,295
Internal service funds	3,035	—	320	—	3,355
Total governmental funds	4,624	7,835	143,685	7,280	163,424
Nonmajor enterprise fund	34	—	2,927	—	2,961
Total enterprise funds	34	—	2,927	—	2,961
Total transfers	\$ 4,658	7,835	146,612	7,280	166,385

The enterprise funds transfers out reported in the proprietary funds statement of revenues, expenses, and changes in fund net assets is \$14,912,000. The difference of \$11,951,000 is the result of capital assets being transferred from the Auditorium Plaza Garage fund to the governmental activities. The internal service funds transfers out reported in the proprietary funds statement of revenues, expenses, and changes in fund net assets is \$4,335,000. The difference of \$980,000 is the result of capital assets being transferred from various internal service funds to the governmental activities.

The government-wide statement of activities reported transfers of \$6,620,000 and \$37,943,000 of various water, sewer and stormwater lines from the governmental activities to the Water and Sewer funds, respectively. These transfers are recorded as capital contributions in the proprietary funds statement of revenues, expenses, and changes in fund net assets.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The City initiates transfers between funds for various reasons. The reasons for the major transfers during the current fiscal year are as follows:

General fund to nonmajor governmental funds:

- General operating subsidies.
- Economic activities tax is collected by the general fund, but is required to be transferred to the TIF and STIF funds to be passed along to developers through the TIF Commission to reimburse them for costs incurred on TIF/STIF projects.

General fund to internal service funds:

- General operating subsidies.

Capital improvements fund to nonmajor governmental funds:

- Economic activities tax is collected by the capital improvements fund, but is required to be transferred to the TIF and STIF funds to be passed along to developers through the TIF Commission to reimburse them for costs incurred on TIF/STIF projects.

Nonmajor governmental funds to general fund:

- Transfers were made from various nonmajor governmental funds to close out projects funds and the debt service for the Kemper Arena and Municipal Auditorium.

Nonmajor governmental funds to capital improvements fund:

- Transfers were made from various nonmajor governmental funds to fund projects that are expended out of the capital improvements fund.

Nonmajor governmental funds to nonmajor governmental funds:

- Economic activities tax is collected by various nongovernmental funds, but is required to be transferred to the TIF and STIF funds to be passed along to developers through the TIF Commission to reimburse them for costs incurred on TIF/STIF projects.
- Transfers were made from various nonmajor governmental funds to fund debt service for certain general obligation bonds.

Nonmajor governmental funds to internal service funds:

- General operating subsidies.

Internal service funds to general fund:

- To close certain internal service funds.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Internal service funds to nonmajor governmental funds:

- Transfers were made to fund various equipment leases and to close certain internal service funds.

Capital improvements fund to internal service funds.

- To close certain internal service funds.

Nonmajor enterprise fund to general fund:

- To close the auditorium plaza garage fund.

Nonmajor enterprise to nonmajor governmental funds:

- To close the auditorium plaza garage fund

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(6) Capital Assets

Capital asset activity for the year ended April 30, 2008 is as follows (in thousands):

Primary government – governmental activities						
	Balance April 30, 2007 (as previously reported)	Effect of restatement	Balance April 30, 2007 (as restated)	Additions	Deductions	Balance April 30, 2008
Nondepreciable capital assets:						
Land	\$ 213,366	—	213,366	99,060	(28)	312,398
Fountains, statues, and monuments	92,684	(92,684)	—	—	—	—
Infrastructure	1,861,033	—	1,861,033	98,962	—	1,959,995
Construction in progress	603,375	142,669	746,044	150,541	(681,283)	215,302
Total nondepreciable capital assets	2,770,458	49,985	2,820,443	348,563	(681,311)	2,487,695
Depreciable capital assets:						
Land improvements	94,671	—	94,671	63,809	(170)	158,310
Buildings and improvements	491,880	24,822	516,702	467,120	—	983,822
Machinery and equipment	142,040	—	142,040	29,529	(11,592)	159,977
Fountains, statues, and monuments	—	92,684	92,684	24,938	—	117,622
Infrastructure	96,271	—	96,271	19,721	—	115,992
Total depreciable capital assets	824,862	117,506	942,368	605,117	(11,762)	1,535,723
Less accumulated depreciation:						
Land improvements	(29,730)	—	(29,730)	(4,717)	8	(34,439)
Buildings and improvements	(163,870)	(310)	(164,180)	(27,361)	—	(191,541)
Machinery and equipment	(75,747)	—	(75,747)	(17,512)	3,066	(90,193)
Fountains, statues, and monuments	—	(20,600)	(20,600)	(2,480)	—	(23,080)
Infrastructure	(31,694)	—	(31,694)	(5,882)	—	(37,576)
Total accumulated depreciation	(301,041)	(20,910)	(321,951)	(57,952)	3,074	(376,829)
Total depreciable capital assets, net	523,821	96,596	620,417	547,165	(8,688)	1,158,894
Total governmental activities capital assets, net	\$ 3,294,279	146,581	3,440,860	895,728	(689,999)	3,646,589

Governmental Activities – April 30, 2007 capital asset balances have been restated as disclosed in note 17.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Depreciation expense was charged to functions* as follows (in thousands):

General government	\$	6,058
Public safety (fire and police)		6,626
Public works		10,706
Convention facilities		6,625
Culture and recreation		9,876
Neighborhood development		3,300
Health		619
Unallocated		758
Total depreciation expense – governmental activities	\$	<u>44,568</u>

* Depreciation expense on Capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets.

Capital assets at historical cost of \$25,334,366 and accumulated depreciation of \$13,382,855 were transferred from the Nonmajor Enterprise Fund – Auditorium Plaza Garage to Governmental Activities during FY08. These amounts are included in additions to land, buildings and improvements and machinery and equipment and accumulated depreciation on buildings and improvements and machinery and equipment respectively.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Primary government – business-type activities				
	Balance April 30, 2007	Additions	Deductions	Balance April 30, 2008
Water:				
Nondepreciable capital assets:				
Land	\$ 3,771	—	—	3,771
Construction in progress	43,342	30,150	(8,407)	65,085
Total nondepreciable capital assets	47,113	30,150	(8,407)	68,856
Depreciable capital assets:				
Buildings and improvements	134,138	1,021	—	135,159
Utility lines and improvements	432,507	15,455	—	447,962
Machinery and equipment	54,789	1,615	(474)	55,930
Total depreciable capital assets	621,434	18,091	(474)	639,051
Less accumulated depreciation:				
Buildings and improvements	(60,958)	(2,269)	165	(63,062)
Utility lines and improvements	(51,359)	(5,034)	493	(55,900)
Machinery and equipment	(34,700)	(2,700)	445	(36,955)
Total accumulated depreciation	(147,017)	(10,003)	1,103	(155,917)
Total depreciable capital assets,	474,417	8,088	629	483,134
Total water capital assets	\$ 521,530	38,238	(7,778)	551,990

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

	Primary government – business-type activities			
	Balance April 30, 2007	Additions	Deductions	Balance April 30, 2008
Kansas City airports:				
Nondepreciable capital assets:				
Land	\$ 39,048	1,957	(3,143)	37,862
Construction in progress	21,619	50,071	(38,967)	32,723
Total nondepreciable capital assets	60,667	52,028	(42,110)	70,585
Depreciable capital assets:				
Buildings and improvements	549,902	25,728	(2,477)	573,153
Airport runways, aprons, and roads	441,980	18,068	(18,291)	441,757
Machinery and equipment	87,547	5,285	(3,285)	89,547
Total depreciable capital assets	1,079,429	49,081	(24,053)	1,104,457
Less accumulated depreciation:				
Buildings and improvements	(162,149)	(20,245)	2,233	(180,161)
Airport runways, aprons, and roads	(248,051)	(23,244)	12,297	(258,998)
Machinery and equipment	(52,983)	(14,185)	3,278	(63,890)
Total accumulated depreciation	(463,183)	(57,674)	17,808	(503,049)
Total depreciable capital assets, net	616,246	(8,593)	(6,245)	601,408
Total Kansas City airports capital assets	\$ 676,913	43,435	(48,355)	671,993

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Primary government – business-type activities			
	Balance April 30, 2007	Additions	Balance April 30, 2008
Sewer:			
Nondepreciable capital assets:			
Land	\$ 8,472	306	8,778
Construction in progress	75,782	28,670	94,540
Total nondepreciable capital assets	84,254	28,976	103,318
Depreciable capital assets:			
Buildings and improvements	275,998	1,453	277,451
Utility lines and improvements	458,548	53,527	512,075
Machinery and equipment	45,955	2,176	47,594
Total depreciable capital assets	780,501	57,156	837,120
Less accumulated depreciation:			
Buildings and improvements	(183,499)	(6,910)	(189,552)
Utility lines and improvements	(25,604)	(6,098)	(31,702)
Machinery and equipment	(20,049)	(2,555)	(22,136)
Total accumulated depreciation	(229,152)	(15,563)	(243,390)
Total depreciable capital assets, net	551,349	41,593	593,730
Total sewer capital assets	\$ 635,603	70,569	697,048

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Primary government – business-type activities			
	Balance April 30, 2007	Additions	Balance April 30, 2008
Nonmajor enterprise funds:			
Nondepreciable capital assets:			
Land	\$ 2,235	—	(2,235)
Construction in progress	649	3,829	4,478
Total nondepreciable capital assets	2,884	3,829	(2,235)
Depreciable capital assets:			
Buildings and improvements	22,244	—	(22,244)
Machinery and equipment	856	—	(856)
Total depreciable capital assets	23,100	—	(23,100)
Less accumulated depreciation:			
Buildings and improvements	(12,160)	(367)	12,527
Machinery and equipment	(856)	—	856
Total accumulated depreciation	(13,016)	(367)	13,383
Total depreciable capital assets, net	10,084	(367)	(9,717)
Total nonmajor enterprise capital assets	\$ 12,968	3,462	(11,952)
Total business-type activities capital assets	\$ 1,847,014	157,219	(78,724)
	1,925,509		

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(7) Long-Term Obligations

The following is a summary of long-term obligations of the City for the year ended April 30, 2008 (in thousands):

	Payable at April 30, 2007	Additions	Reductions	Payable at April 30, 2008	Amounts due within one year
Primary government:					
Governmental activities:					
General obligation bonds	\$ 286,235	40,000	17,580	308,655	16,590
Special assessment debt – full faith and credit	3,490	—	820	2,670	635
Special obligations	—	57,805	—	57,805	900
Bonds – KCMAC	419,791	—	19,798	399,993	11,512
Notes payable – MDFB	633	—	125	508	125
Bonds – PIEA	31,115	—	1,565	29,550	1,680
Bonds – IDA	593,405	114,915	120,180	588,140	5,605
Bonds – other	41,206	—	5,441	35,765	2,803
MTFC loan	—	2,000	—	2,000	172
Notes payable – various	53,939	7,612	10,565	50,986	10,572
Net pension obligation:					
Employees Retirement System	7,877	11,452	13,574	5,755	—
Firefighters Pension System	3,210	8,876	9,858	2,228	—
Net other post-employment benefit obligation	—	12,689	1,664	11,025	—
Compensated absences	22,696	6,111	5,733	23,074	1,270
Claims payable	23,863	8,451	11,025	21,289	5,863
	<u>1,487,460</u>	<u>269,911</u>	<u>217,928</u>	<u>1,539,443</u>	<u>57,727</u>
Add unamortized premium	23,211	5,721	3,244	25,688	—
Less:					
Deferred charge on refunding	23,919	1,048	2,176	22,791	—
Discount	<u>740</u>	<u>1,207</u>	<u>76</u>	<u>1,871</u>	<u>—</u>
Total governmental activities long-term liabilities	<u>1,486,012</u>	<u>273,377</u>	<u>218,920</u>	<u>1,540,469</u>	<u>57,727</u>

The general fund and certain special revenue funds have typically been used in prior years to liquidate the compensated absences, pension, claims payable, and other postemployment benefit obligation liabilities for the governmental activities.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

	Payable at April 30, 2007	Additions	Reductions	Payable at April 30, 2008	Amounts due within one year
Business-type activities:					
Water:					
Revenue bonds	\$ 158,055	35,000	11,945	181,110	12,530
Capital lease	—	10,808	—	10,808	198
Add unamortized premium	949	—	60	889	—
Less:					
Deferred charge on refunding	1,335	—	310	1,025	—
Discount	49	—	4	45	—
Net pension obligation:					
Employees' Retirement System	1,783	1,735	2,460	1,058	—
Net other post-employment benefit obligation	—	1,271	166	1,105	—
Compensated absences	2,646	873	571	2,948	153
Claims payable	4,322	3,222	2,297	5,247	1,448
Total water	166,371	52,909	17,185	202,095	14,329
Kansas City airports:					
Revenue bonds	385,990	—	15,340	370,650	18,395
Add unamortized premium	4,026	—	655	3,371	—
Less:					
Deferred charge on refunding	2,447	—	615	1,832	—
Discount	1,233	—	77	1,156	—
Net pension obligation:					
Employees' Retirement System	1,413	1,454	1,965	902	—
Net other post-employment benefit obligation	—	1,084	143	941	—
Compensated absences	1,635	776	519	1,892	97
Claims payable	1,133	1,161	790	1,504	415
Total Kansas City airports	390,517	4,475	18,720	376,272	18,907

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

	Payable at April 30, 2007	Additions	Reductions	Payable at April 30, 2008	Amounts due within one year
Sewer:					
Revenue bonds	\$ 190,013	517	9,823	180,707	11,167
Add unamortized premium	3,007	—	178	2,829	—
Less:					
Deferred charge on refunding	26	328	—	354	—
Discount	373	—	353	20	—
Net pension obligation:					
Employees' Retirement System	1,291	1,401	1,883	809	—
Net other post-employment benefit obligation	—	971	126	845	—
Compensated absences	1,792	516	449	1,859	207
Claims payable	2,979	1,414	1,008	3,385	934
Total sewer	198,683	4,491	13,114	190,060	12,308
Nonmajor enterprise funds:					
Revenue bonds	30,980	—	530	30,450	570
Add unamortized premium	136	—	6	130	—
Total nonmajor enterprise funds	31,116	—	536	30,580	570
Total business-type activities long-term liabilities	\$ 786,687	61,875	49,555	799,007	46,114

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

	Payable at April 30, 2007	Additions	Reductions	Payable at April 30, 2008	Due within one year
Component units:					
LCRA:					
Long-term debt	\$ 13,160	—	13,160	—	—
IIF:					
Long-term debt	201,856	15,210	2,635	214,431	4,510
Reimbursable developer project costs	308,523	16,402	43,499	281,426	—
Police Department:					
Police Retirement System	642	22,837	15,747	7,732	—
Civilian Retirement System	6,671	5,119	3,372	8,418	—
Compensated absences	29,876	2,744		32,620	7,082
Net other post-employment benefit obligations	—	2,155	254	1,901	—
Other component units:					
EDC:					
Loan payable	2,144	1,467	2,940	671	665
MAST:					
Long-term debt	4,705	—	415	4,290	440
Port Authority:					
Long-term debt	1,227	—	814	413	413
American Jazz Museum:					
Long-term debt	21	—	21	—	—
Total component units long-term liabilities	\$ 568,825	65,934	82,857	551,902	13,110

April 30, 2008

Governmental Activities

Fiscal year	PIEA		IDA		Bonds payable – LCRA Muehlbach/		Bonds – Other		Notes payable				Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,680	1,799	5,605	31,301	2,480	1,219	323	211	172	77	10,572	1,897	50,594	74,871
2010	1,785	1,699	7,920	30,923	2,625	1,119	324	211	203	77	8,995	1,463	65,087	73,365
2011	1,915	1,590	11,710	30,498	2,725	1,014	324	211	203	68	9,072	1,100	65,573	65,573
2012	2,055	1,472	12,405	29,924	2,870	919	324	211	203	59	8,226	744	57,391	63,101
2013	2,205	1,344	13,550	29,274	2,985	804	324	211	203	51	6,820	448	57,622	60,415
2014-2018	10,195	4,513	84,625	134,613	13,290	2,089	1,617	1,054	1,016	128	7,301	246	300,465	259,690
2019-2023	8,520	1,815	108,275	109,236	2,320	93	1,617	1,054	—	—	—	—	297,168	213,064
2024-2028	1,195	102	122,200	78,853	—	—	1,617	1,054	—	—	—	—	261,478	171,773
2029-2033	—	—	134,715	41,523	—	—	—	—	—	—	—	—	214,324	116,142
2034-2038	—	—	59,210	16,550	—	—	—	—	—	—	—	—	88,285	18,173
2039-2043	—	—	27,925	2,159	—	—	—	—	—	—	—	—	27,924	2,159
Total	\$ 29,850	14,334	588,140	534,854	29,295	7,257	6,470	4,217	2,000	460	50,986	5,898	1,476,072	1,118,328

(Continued)

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Business-Type Activities and Component Units

Business-type activities:

Fiscal year	Water		Kansas City airports		Sewer		Nonmajor enterprise funds		Total business-type activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 12,728	8,414	18,395	18,117	11,167	8,562	570	1,408	42,860	36,501
2010	13,981	8,386	19,035	17,172	11,521	8,043	605	1,385	45,142	34,986
2011	12,552	7,706	18,750	16,209	11,891	7,510	675	1,359	43,868	32,784
2012	13,407	7,125	19,665	15,245	12,313	6,942	780	1,330	46,165	30,642
2013	12,302	6,503	20,375	14,264	11,988	6,359	830	1,298	45,495	28,424
2014-2018	59,358	23,759	138,415	51,774	55,907	22,699	5,100	5,876	258,780	104,108
2019-2023	45,975	11,107	82,660	22,617	41,045	10,776	7,075	4,313	176,755	48,813
2024-2028	21,615	2,331	53,355	5,974	15,075	3,926	9,985	2,348	100,030	14,579
2029-2033	—	—	—	—	9,800	1,098	4,830	232	14,630	1,330
2034-2038	—	—	—	—	—	—	—	—	—	—
2039-2043	—	—	—	—	—	—	—	—	—	—
Total	\$ 191,918	75,331	370,650	161,372	180,707	75,915	30,450	19,549	773,725	332,167

Component unit activities:

Fiscal year	TIF		Other component units		Component units activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 4,510	11,708	1,518	262	6,028	11,970
2010	4,640	11,476	472	216	5,112	11,692
2011	5,385	11,214	490	184	5,875	11,398
2012	7,365	10,874	515	158	7,880	11,032
2013	7,005	10,487	545	130	7,550	10,617
2014-2018	49,775	45,392	1,834	204	51,609	45,596
2019-2023	64,341	30,044	—	—	64,341	30,044
2024-2028	64,080	16,049	—	—	64,080	16,049
2029-2033	7,330	395	—	—	7,330	395
Total	\$ 214,431	147,639	5,374	1,154	219,805	148,793

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Bonds payable at April 30, 2008 are comprised of the following individual issues:

Description	Date of maturity	Range of interest rates	Optional redemption dates/ redemption price	Outstanding balance
General Obligation Bonds: Chouteau Bridge Project Series 1996B	May 1, 2011	4.20% - 7.00%	Bonds maturing on and after 5/1/07 are subject to the following redemptions: 100%, as a whole at any time or in part, on any interest payment date	\$ 3,365,000
Refunding (Crossover), Series 1998A	September 1, 2012	4.00% - 5.25%	Bonds maturing on and after 3/1/09 are subject to the following optional redemptions: 3/1/08 to 2/28/09 - 101%; 3/1/09 to 2/28/10 - 100.5% and 3/1/10 and thereafter, as a whole at any time or in part in any interest payment date.	19,975,000
Downtown/Neighborhood Series 2003F	February 1, 2023	2.50% - 5.00%	The bonds maturing on and after 2/1/14 are subject to optional redemption on: 2/1/2013 and thereafter - 100% as a whole at any time or in part, on any interest payment date	17,825,000
Kansas City Zoo/Liberty Memorial/Other Cap Imp. Series 2004F	February 1, 2024	3.00% - 5.00%	The bonds maturing on and after 2/1/15 are subject to the following optional redemptions: 2/1/14 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	88,025,000
Kansas City Zoo/Liberty Memorial/Other Cap Imp, Series 2007A	February 1, 2027	5.00%	The bonds maturing on and after 2/1/18 are subject to the following optional redemptions: 2/1/17 and thereafter - 100%, as a whole or in part at any time.	75,085,000
Kansas City Capital Improvement/Zoo	February 1, 2028	3.00% - 5.00%	The bonds maturing on and after 2/1/19 are subject to the following optional redemptions: 2/1/18 and thereafter - 100%, as a whole or in part at any time.	40,000,000
Total General Obligation Bonds Outstanding				\$ 244,275,000
General Obligation Bonds Streetlight Project, Series 2000A	February 1, 2010	5.13% - 6.00%	The bonds maturing on and after 2/1/11 are subject to the following optional redemption: 2/1/10 to 1/31/11 - 101%; 2/1/11 to 1/31/12 - 100.5%; 2/1/12 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	\$ 6,745,000
Streetlight Project, Series 2002A	February 1, 2022	3.80% - 5.10%	The bonds maturing on and after 2/1/13 are subject to the following optional redemptions: 2/1/12 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	8,290,000
Streetlight Project, Series 2007A	February 1, 2017	4.00% - 5.00%	Optional redemption is not applicable to the streetlight refunding portion of Series 2007A. The streetlight refunding portion matures on 2/1/2017	48,810,000
Total General Obligation Bonds Streetlight Projects Outstanding				\$ 63,845,000

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Description	Date of maturity	Range of interest rates	Optional redemption dates/ redemption price	Outstanding balance
General Obligation Bonds NID: General Obligation Bonds NID Series 2002B	March 1, 2022	1.60% to 4.90%	Bonds maturing on and after 3/1/11 are subject to the following optional redemptions: 3/1/10 to 2/28/11 - 102%; 3/1/11 to 2/29/12 - 101%; 3/1/12 and thereafter - 100%, as a whole at any time or in part, on any interest payment date	\$ 535,000
Total General Obligation NID Bonds Outstanding				\$ 535,000
Sewer Improvement Series 1997A (SRF)	January 1, 2012	3.95% to 6.75%	The bonds are not subject to optional redemptions.	\$ 2,670,000
Total General Obligation Bonds Special Assessments Outstanding				\$ 2,670,000
Special Obligation Bonds: KCMO Special Obligation Bonds, 2008A (Various Projects)	March 1, 2028	3.00% - 5.00%	The Bonds maturing in the year 2019 and thereafter are subject to redemption in whole or in part, at the option of the City, on any day on and after March 1, 2018, at par, plus interest accrued to the redemption date.	\$ 28,495,000
KCMO Special Obligation, Series 2008B (East Village)	April 15, 2031	3.75% - 5.00%	The Series 2008B Bonds maturing in the year 2019 and thereafter are subject to redemption and payment prior to maturity, at the option of the City, on and after April 15, 2018, in whole or in part at any time, at par plus interest accrued to the redemption date.	29,310,000
Total Special Obligation Bonds Outstanding				\$ 57,805,000
KCMAC Bonds: KCMAC Bonds Bartle Hall, Series 1990B-1 (non- refunded portion CABS)	April 15, 2010	7.10% - 7.25% (yield to maturity)	Remaining unrefunded CABS are not subject to optional call	\$ 1,260,006
KCMAC Bonds Bartle Hall Expansion, Series 1991B (non-refunded portion CABS)	April 15, 2010	6.85% - 6.95% (yield to maturity)	Remaining unrefunded CABS are not subject to optional call.	2,287,108
KCMAC Bonds Leasehold Refunding (Truman Medical Center), Series 1998B	December 1, 2011	3.75% - 4.80%	Bonds maturing on and after 12/1/07 are subject to the following optional redemptions: 12/1/07 to 11/30/08 - 101.5%; 12/1/08 to 11/30/09 - 101%; 12/1/09 to 11/30/10 - 100.5%; 12/1/10 and thereafter - 100% as a whole at any time or in part, on any interest payment date.	3,735,000
KCMAC Bonds, 11th & Oak Garage, Series 1999A	March 1, 2019	3.30% - 5.125%	Bonds maturing on and after 3/1/10 are subject to the following redemptions: 3/1/9 to 2/28/10 - 101%; 3/1/10 to 2/28/11 - 100.5%; 3/1/11 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	4,185,000
KCMAC Bonds Streetlight Portion, Series 1999A	March 1, 2009	3.30% - 4.45%	Portion of KCMAC Series 1999A have no optional redemptions. Bonds mature 3/1/09.	245,000

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Description	Date of maturity	Range of interest rates	Optional redemption dates/ redemption price	Outstanding balance
KCMAC Bonds 11th & Oak Garage Series 2001A	March 1, 2019	4.00% - 5.00%	Bonds maturing on and after 3/1/12 are subject to the following optional redemptions: 3/1/11 to 2/29/12 - 101%; 3/1/12 to 2/28/13 - 100.5%; 3/1/13 and thereafter - 100%, as a whole at any time or in part on any interest payment date.	\$ 19,830,000
KCMAC Bonds Zona Rosa, Prospect North, Fairyland Series 2001B-1	April 1, 2021	3.50% - 5.00%	Bonds maturing on 4/1/10 are subject to the following optional redemption: 4/1/09 and thereafter - 100%, as a whole or in part, at any time.	17,330,000
KCMAC Bonds Zona Rosa, ERP and Refunding, Series 2003C	April 1, 2023	2.50% - 5.00%	Bonds maturing on and after 4/1/14 are subject to the following optional redemption: 4/1/13 and thereafter - 100%, as a whole or in part, at any time.	36,095,000
KCMAC Bonds Tow Lot & Prospect North, Series 2004B-2	April 15, 2024	2.13% - 4.25%	Bonds are subject to redemption at the following optional redemption: 4/15/14 and thereafter - 100%, as a whole or in part, at any time.	7,990,000
Series 2004B-3				
KCMAC Bonds Bartle, Series 2004B-J (CABS)	April 15, 2032	4.82% - 5.34% (CAB's yield)	CABs are not subject to optional call	64,411,041
KCMAC Bonds Bartle, Series 2004A (See footnote regarding Swap Agreement)	April 15, 2034	Variable Rate Bonds - initially bonds bear interest at a weekly interest rate	Bonds bearing interest at a weekly interest rate are subject to optional redemption in whole or in part, at any time, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date.	80,885,000
KCMAC Bonds Bartle Series 2005 (See footnote regarding Swap Agreement)	April 15, 2025	Variable Rate Bonds - initially bonds bear interest at a weekly interest rate	Bonds bearing interest at a weekly interest rate are subject to optional redemption, in whole or in part, at any time at price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date.	20,610,000
KCMAC Bonds Municipal Auditorium Parking Garage/ Music Hall and Bartle Hall, Series 2006A	April 15, 2026	4.25% - 5.00%	Bonds maturing in the years 2017, 2021 through 2026, inclusive, and \$6,500,000 in aggregate principal amount maturing in the year 2020 are subject to optional redemption on and after 4/15/16, in whole or in part at any time at a price equal to 100%.	125,875,000
KCMAC Bonds Kemper Arena Refunding, Series 2006B	April 15, 2016	3.50% - 4.00%	The bonds are not subject to optional call.	15,255,000
Total KCMAC Bonds Outstanding				\$ 399,993,155
Missouri Development Finance Board				
(MDFB Bonds):	December 1, 2011	6.50%	Not applicable	\$ 507,500
MDFB Loan Harley Davidson	April 1, 2018	6.90%	Bonds maturing on and after 4/1/08 are subject to the following optional redemptions: 4/1/08 to 3/31/09 - 102%; 4/1/09 to 3/31/10 - 101%; 4/1/10 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	*\$0.00 (See page A-92)
MDFB Bonds Valentine Shopping Center, Series 1998				
Total Bonds Outstanding				\$ 507,500

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Description	Date of maturity	Range of interest rates	Optional redemption dates/ redemption price	Outstanding balance
Planned Industrial Expansion Authority (PIEA) Bonds:				
PIEA Bonds Taxable Lease Revenue Refunding, Series 1998	July 1, 2014	5.45% - 6.25%	Bonds maturing on and after 7/1/09 are subject to the following optional redemptions: 7/1/08 and thereafter - 100%, as a whole at any time or in part, on any interest payment date	\$ 9,090,000
PIEA Bonds Taxable Lease Revenue (Kemper Garage) Series 2001	July 1, 2021	4.95% - 7.00%	Bonds maturing on and after 7/1/12 are subject to the following optional redemptions: 7/1/11 to 6/30/12 - 101%; 7/1/12 to 6/30/13 - 100.5%; 7/1/13 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	13,255,000
PIEA Bonds Taxable Lease Revenue (300 Wyandotte) Series 2005	January 1, 2025	4.90% - 5.70%	Bonds maturing in the year 2017 and thereafter are subject to the following optional redemptions: 1/1/16 and thereafter - 100%; as a whole or in part at any time	7,205,000
Total PIEA Bonds Outstanding				<u>\$ 29,550,000</u>
Industrial Development Authority (IDA) Bonds				
IDA Bonds Century Towers Project, Series 2001	July 1, 2021	3.35% - 6.82%	The Series 2001 bonds shall be subject to redemption and payment prior to maturity, as a whole at any time or in part on the first business day of any month, at a redemption price equal to the sum of (a) 100% of the principal amount thereof and (b) the amount of the Breakage Premium and accrued interest to the redemption date	\$ 16,590,000
IDA Bonds KC Live Project, Series 2005A & B	December 1, 2032	4.00% - 5.25%	Following the Fixed Rate conversion date, the Series 2005A bonds maturing on or after December 1, 2018 are subject to redemption and payment prior to maturity, at the option of the Authority, which is at the written direction of the City, in whole or in part at any time, on and after December 1, 2017 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date thereof.	114,915,000
IDA Bonds KC Live Project, Series 2005 B	December 1, 2032	Variable Rate Bonds: initially bonds bear interest at a weekly interest rate	The Series 2005 Bonds bearing interest at a weekly interest rate are subject to optional redemption in whole or in part at any time at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date	64,985,000

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Description	Date of maturity	Range of interest rates	Optional redemption dates/ redemption price	Outstanding balance
IDA Bonds Downtown Arena, Series 2005C & D	April 1, 2040	Variable Rate Bonds: initially bonds bear interest at a weekly interest rate	The Series 2005 Bonds bearing interest at a weekly interest rate are subject to optional redemption in whole or in part at any time at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date	\$ 199,530,000
IDA Civic Mall/Cherry Inn Series 2006C	December 1, 2015	4.00% - 5.00%	Series 2006C Bonds are not subject to optional call.	5,075,000
IDA Bonds Downtown Arena, Series 2006E	April 1, 2040	Variable Rate Bonds: initially bonds bear interest at a weekly interest rate	The Series 2006E Bonds bearing interest at a weekly interest rate are subject to optional redemption in whole or in part at any time at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date	29,140,000
IDA Bonds - KC Live Project KC Live Project Series 2006A & B Series 2006A & B	December 1, 2032	Variable Rate Bonds: initially bonds bear interest at a weekly interest rate	The Series 2006 Bonds bearing interest at a weekly interest rate are subject to optional redemption in whole or in part at any time at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date	115,000,000
IDA Bonds Uptown/Midtown Refunding Series 2007A	April 1, 2022	4.00% - 5.00%	Bonds maturing in the year 2018 and thereafter are subject to the following optional redemption: 4/1/17 and thereafter - 100%; as a whole or in part at any time	42,905,000
Total IDA Bonds outstanding				\$ 588,140,000
Land Clearance for Redevelopment Authority (LCRA) Bonds:				
LCRA Bonds Muehlebach/ Municipal Auditorium Parking Garage, Series 2005E	December 1, 2018	3.50% - 5.00%	Bonds maturing on and after 12/1/16 are subject to the following optional redemption: 12/1/2015 and thereafter - 100%, as a whole or in part at any time	29,295,000
Total LCRA Bonds outstanding				\$ 29,295,000
Tax Increment Financing - Contingent (TIF) Bonds:				
TIF Chouteau Revenue Bonds, Series 2003 A&B	March 1, 2024	Variable Rate Bonds: initially bonds bear interest at a weekly interest	While the Series 2003 Bonds accrue interest at weekly rates, the bonds are subject to redemption and payment prior to maturity in whole or in part on any business day at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.*	\$ *0.00 (See page A-92)

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Description	Date of maturity	Range of interest rates	Optional redemption dates/ redemption price	Outstanding balance
TIF President Hotel Revenue Bonds, Series 2004	March 1, 2028	Variable Rate Bonds initially bonds bear interest at a weekly interest	While the Series 2004 Bonds accrue interest at weekly rates, such bonds are subject to redemption and payment prior to maturity, in whole or in part on any business day at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.*	*0.00 (See page A-92)
TIF Blue Parkway Town Center, Series 2004	July 1, 2027	3.50% - 5.00%	Bonds maturing on and after 7/1/14 are subject to optional redemption at par in whole or in part at any time equal to 100% of par amount.	6,469,760 (*See page A-92)
TIF 909 Walnut Revenue Bonds, Series 2005	February 1, 2024	Variable Rate Bonds initially bonds bear interest at a weekly interest	Series 2005 Bonds that bear interest at daily rates or weekly rates are subject to redemption and payment prior to maturity, in whole or in part, in authorized denominations, on any business day, at a redemption price equal to 100% of the principal amount redeemed,	*\$0.00 (*See page A-92)
Total TIF Contingency Liability				\$ 6,469,760
MIFC Loan:				
MTFC Loan (Paseo Bridge)	November 19, 2017	4.20%	Not applicable	\$ 2,000,000
Total MTFC Loan Outstanding				\$ 2,000,000
Water Revenue Bonds, Leases and Loans:				
Revenue Bonds Water Refunding, Series 1996A	December 1, 2009	4.15% - 5.10%	Bonds maturing on and after 12/1/07 are subject to the following optional redemptions: 12/1/07 - 11/30/08 - 100.5%; 12/1/08 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	\$ 8,135,000
Revenue Bonds Water Refunding, Series 1998A	December 1, 2014	4.10% - 5.00%	Bonds maturing on and after 12/1/09 are subject to the following optional redemptions: 12/1/08 - 11/30/09 - 101%; 12/1/09 - 11/30/10 - 100.5%; 12/1/10 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	25,005,000
Revenue Bonds Water Refunding, Series 1998B	December 1, 2018	4.75% - 5.00%	Bonds maturing on and after 12/1/09 are subject to the following optional redemptions: 12/1/08 - 11/30/09 - 101%; 12/1/09 - 11/30/10 - 100.5%; 12/1/10 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	9,580,000
Revenue Bonds Water, Series 1996B	December 1, 2016	5.00% - 6.00%	Bonds maturing on and after 12/1/07 are subject to the following optional redemptions: 12/1/07 - 11/30/08 - 100.5%; 12/1/08 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	16,080,000
Revenue Bonds Water, Series 2000A	December 1, 2020	5.00% - 5.80%	The bonds maturing on 12/1/11 are subject to the following redemption: 12/1/2010 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	18,515,000
Revenue Bonds Water, Series 2002C	December 1, 2022	3.00% - 5.00%	Bonds maturing on and after 12/1/12 are subject to the following optional redemptions: 12/1/11 and thereafter - 100% as a whole at any time or in part, on any interest payment date.	14,045,000

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Description	Date of maturity	Range of interest rates	Optional redemption dates/ redemption price	Outstanding balance
Revenue Bonds Water, Series 2004D	December 1, 2023	2.50% - 5.00%	Bonds maturing on and after 12/1/14 are subject to the following optional redemptions: 12/1/2013 and thereafter - 100% as a whole at any time or in part on any interest payment date.	24,750,000
Revenue Bonds Water, Series 2005F	December 1, 2024	3.25% - 5.00%	Bonds maturing on and after 12/1/16 are subject to the following optional redemptions: 12/1/15 and thereafter - 100% as a whole at any time or in part on any interest payment date.	30,000,000
Revenue Bonds, Water AMR Lease, 2007 Energy Loan	December 1, 2027	4.66%	Bonds may be called redemption and payment prior to their stated maturity on June 1, 2018 and thereafter 100% as a whole or in part at any time in such amounts for each stated maturity.	35,000,000
Water AMR Lease 2007	May 25, 2017	3.99%	Not Applicable	10,808,000
Total Water Revenue Bonds leases, and loans				<u>\$ 191,918,000</u>
Sewer Revenue Bonds, Leases and Loans:				
Revenue Bonds Sewer System, Series 1992B (SRF)	July 1, 2013	4.50% - 6.55%	Original optional redemption was as follows: Bonds maturing 7/1/08 and 7/1/13 may be called for redemption and payment in whole or in part on each June 1 and December 1 - 100%. This optional redemption was amended by Ordinance No. 010579 wherein the City irrevocably and unconditionally waives its right to optionally redeem certain bond maturities covered during the redemption period.	\$ 555,000
Revenue Bonds Water Pollution Control, Series 1995B (State Revolving Fund)	January 1, 2015	4.50% - 7.75%	Original optional redemption was as follows: Bonds maturing on and after 1/1/06 may be called for redemption in whole or in part on each June 1 and December 1 - 100%. This optional redemption was amended by Ordinance No. 010579 wherein the City irrevocably and unconditionally waives its right to optionally redeem certain bond maturities covered during the redemption period.	9,570,000
Revenue Bonds Water Pollution Control, Series 1996A (State Revolving Fund)	January 1, 2016	3.60% - 7.00%	Original optional redemption was as follows: Bonds maturing on and after 1/1/07 may be called for redemption in whole or in part on any date at 100%. This optional redemption was amended by Ordinance No. 010579 wherein the City irrevocably and unconditionally waives its right to optionally redeem certain bond maturities covered during the redemption period.	12,845,000

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Description	Date of maturity	Range of interest rates	Optional redemption dates/ redemption price	Outstanding balance
Revenue Bonds Sewer, Series 1997A, State Revolving	January 1, 2017	3.95% - 5.75%	Original optional redemption was as follows: Bonds maturing on and after 1/1/08 may be called for redemption in whole or in part on any date with the consent of bondowner or on each interest payment date commencing 1/1/07 at the following redemption dates and prices: 1/1/07 to 12/31/07 - 101%; 1/1/08 to 12/31/08 - 100.5%; 1/1/09 and thereafter - 100%. This optional redemption was amended by Ordinance No. 010579 wherein the City irrevocably and unconditionally waives its right to optionally redeem certain bond maturities covered during the redemption period.	\$ 11,210,000
Revenue Bonds Sewer, Series 1998A, State Revolving	January 1, 2019	3.90% - 5.25%	Bonds maturing on and after 1/1/09 are subject to redemptions in whole or in part on any date with the consent of the bondholder or on each June 1 and December 1 at the following redemption prices: 6/1/08 - 5/31/09 - 101%; 6/1/09 - 5/31/10 - 100.5%; 6/1/10 and thereafter - 100%.	6,070,000
Revenue Bonds Sewer, Series 1999A, State Revolving	January 1, 2020	3.625% - 5.25%	Original optional redemption was as follows: Bonds maturing on and after 1/1/10 may be called for redemption in whole or in part on any date with the consent of the bondowner or on each June 1 and December 1 at the following redemption dates and prices: 6/1/09 to 5/31/10 - 101%; 6/1/10 to 5/31/11 - 100.5%; 6/1/11 and thereafter - 100%. This optional redemption was amended by ordinance No. 040140 wherein the City irrevocably and unconditionally waives its right to optionally redeem certain bond maturities covered during the redemption period.	4,140,000
Revenue Bonds Sewer, Series 2000A, State Revolving	July 1, 2020	4.60% - 5.75%	Original optional redemption was as follows: Series 2000A Bonds maturing on 7/1/11 may be called for redemption and payment prior to maturity in whole or in part on any date with the consent of the bondowner or each June 1 and December 1, commencing 6/1/10 at the redemption price of 100%. This optional redemption was amended by Ordinance No. 040140 wherein the City irrevocably and unconditionally waives its right to optionally redeem certain bond maturities covered during the redemption period.	9,000,000

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Description	Date of maturity	Range of interest rates	Optional redemption dates/ redemption price	Outstanding balance
Revenue Bonds Sewer, Series 2000B, State Revolving	July 1, 2020	4.25% - 5.625%	Original optional redemption was as follows: Series 2000B Bonds maturing 7/1/13 may be called for redemption and payment prior to maturity in whole or in part on any date on and after 9/1/10 with the consent of the bondowner or on each June 1 and December 1, commencing 12/1/10 at the redemption price of 100%. This optional redemption was amended by Ordinance No. 040140 wherein the City irrevocably and unconditionally waives its right to optionally redeem certain bond maturities covered during the redemption period.	\$ 8,110,000
Revenue Bonds Sewer Refunding, Series 2001A	March 1, 2012	3.75% - 4.25%	No optional call	2,655,000
Revenue Bonds Sewer, Series 2001B, State Revolving	July 1, 2022	3.00% - 5.375%	Bonds maturing on 7/1/22 may be called for redemption and payment prior to maturity in whole or in part on any date on and after 6/1/11 with the consent of bondowner or on each June 1 and December 1 commencing 6/1/11 without premium.	13,405,000
Revenue Bonds Sewer, Series 2002D-1	January 1, 2022	4.00% - 5.375%	Bonds maturing on 1/1/13 may be called for redemption, in whole or in part on 1/1/12 and on any date thereafter at par.	8,550,000
Revenue Bonds Sewer, Series 2002D-2	January 1, 2012	4.00% - 6.00%	No optional call.	1,095,000
Revenue Bonds Sewer Series 2002J	July 1, 2022	2.00% - 5.50%	The bonds maturing on 7/1/13 and thereafter may be called for redemption and payment prior to maturity in whole or in part on any date with the consent of bondholder or on each June 1 and December 1, commencing 12/1/12 without premium.	7,970,000
Revenue Bonds Sewer Series 2004A	January 1, 2024	2.00% - 4.75%	Bonds maturing on and after 1/1/15 are subject to the following optional redemptions: 1/1/14 and thereafter - 100%, as whole at any time or in part on any interest payment date.	16,805,000
Revenue Bonds Sewer, Series 2004H	January 1, 2025	3.00% - 5.25%	Bonds maturing on 1/1/15 and thereafter, except as provided below, may be called for redemption prior to maturity in whole or in part on any date with the consent of the bondowner or on each June 1 and December 1, commencing 12/1/13 at the redemption price of 100%. Bonds maturing on 1/19, 1/20 and 1/21 are not subject to redemption.	9,145,000

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Description	Date of maturity	Range of interest rates	Optional redemption dates/ redemption price	Outstanding balance
Revenue Bonds Sewer, Series 2005B	January 1, 2025	3.00% – 5.00%	Bonds maturing on and after 1/1/16 are subject to the following optional redemption: 1/1/15 and thereafter - 100%, as a whole at any time or in part, on any interest payment date.	\$ 13,905,000
Revenue Bonds Sewer, Series 2007A	January 1, 2032	4.00% – 5.00%	Bonds maturing on and after 1/1/18 are subject to the following optional redemption: 1/1/17 and thereafter - 100%, as a whole or in part at any time	40,000,000
Total Sewer Revenue Bonds Outstanding				<u>\$ 175,030,000</u>
Storm Water Loan: Storm Water Loan, Series 2000	December 1, 2020	1.70%	Not applicable.	\$ 875,900
Storm Water Loan, Series 2001 & 2002	December 1, 2021	1.60%	Not applicable	4,284,000
Storm Water Loan, Series 2007	June 1, 2027	1.40%	Not applicable	517,300
Total Storm Water Bonds Outstanding				<u>\$ 5,677,200</u>
Airport Revenue Bonds Gen Impr. Refunding Series 1997A	September 1, 2014	5.30% – 5.50%	Bonds maturing on and after 9/1/08 are subject to the following redemptions: 9/1/07 to 8/31/08 – 101.5%; 9/1/08 to 8/31/09 – 101.0%; 9/1/09 to 8/31/10 – 100.5%; 9/1/10 and thereafter-100.0%, as a whole at any time or in part, on any interest payment date	\$ 29,495,000
Airport Revenue Bonds Gen Impr. Refunding, Series 1999A	September 1, 2008	5.00% – 5.25%	No optional redemptions	1,355,000
Airport Revenue Bonds Gen Imp, Series 2003A	September 1, 2027	3.60% – 5.75%	Bonds maturing on and after 9/1/13 are subject to the following optional redemption: 9/1/12 and thereafter – 100%, as a whole or in part on any interest payment date.	76,955,000
Airport Revenue Bonds Gen Imp. Series 2003B	September 1, 2018	4.25% – 5.375%	Bonds maturing on and after 9/1/13 are subject to the following optional redemption: 9/1/12 and thereafter – 100%, as a whole or in part, on any interest payment date.	53,055,000
Airport Revenue Bonds Gen Imp. Series 2004E	September 1, 2012	3.00% – 5.25%	No optional redemptions	24,035,000
Airport Revenue Bonds Subordinated Taxable Imp CFC Series 2005C	September 1, 2020	5.00% – 5.25%	Bonds maturing on 9/1/16 are subject to the following optional redemption: 9/1/15 and thereafter – 100%, as a whole or in part, on any interest payment date	54,005,000
Airport Revenue Bonds Gen Impr. Refunding, Series 2005H	September 1, 2009	4.00% – 5.00%	No optional redemptions	14,485,000
Total Airport Revenue Bonds Outstanding				<u>\$ 253,385,000</u>

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Description	Date of maturity	Range of interest rates	Optional redemption dates/ redemption price	Outstanding balance
Passenger Facility Charge (PFC) Revenue Bonds: PFC Revenue Bonds, Series 2001	April 1, 2026	5.00%	The bonds maturing on and after 4/1/12 are subject to the following optional redemptions: 4/1/11 to 3/31/12 – 101%; 4/1/12 to 3/31/13 – 100.5%; 4/1/13 and thereafter – 100% as a whole at any time or in part, on any interest payment date.	\$ <u>117,265,000</u>
Total PFC Bonds Outstanding				\$ <u>117,265,000</u>
Special Facility Revenue Bonds: Special Facility Revenue Bonds American Airlines Series 2005G	September 1, 2029	4.00% – 5.625%	Bonds maturing on and after 9/1/16 are subject to the following optional redemption: 9/1/15 and thereafter – 100% as a whole or in part, on any interest payment date.	\$ <u>30,450,000</u>
Total Special Facility Revenue Bonds Outstanding				\$ <u>30,450,000</u>

- * Various entities have issued debt for tax increment financing, for which the City is contingently liable. The City only records a liability if it is probable that a shortfall will occur, and the liability amount is equal to the estimated shortfall, not the entire outstanding principal. Contingent liability projects as of April 30, 2008 are comprised of the following:

Debt issue	P&I remaining (5/1/08 – End) ¹	Principal outstanding (4/30/08)	Debt recorded by the City as of 4/30/08	End Date
Valentine	\$ 3,362,045	2,375,000	—	December 2018
Chouteau B Variable Rate (VR)	9,307,027	5,875,000	—	December 2023
Chouteau A VR	9,811,563	6,585,000	—	December 2024
909 Walnut VR	9,754,780	7,425,000	—	December 2024
President Hotel VR	32,122,571	17,470,000	—	December 2028
Blue Parkway	25,715,325	15,570,000	6,470,000	December 2028

¹ P&I amounts reflect estimate of future VR interest payments.

Variable Rate Bonds

The variable rate demand bonds (Bonds) of the City bear interest at a weekly mode. The weekly interest rates are determined by the Remarketing Agent of each respective Bonds. The Remarketing Agents based their rate to be the minimum interest rate which, if borne by the Bonds, would enable them to sell such Bonds on such date of determination at a price equal to the principal amount thereof. The interest rates assigned on each Bond issues for the last week of April 2008 were used for calculating estimated future interest payments on the Bonds.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Discussion on Swap Agreements with Citibank, N.A., New York, relating to the Kansas City Municipal Assistance Corporation, Leasehold Revenue Bonds, Series 2004A and Leasehold Refunding Revenue Bonds, Series 2005 (the KCMAC Bonds) and with Lehman Brothers Special Financing Inc., New York and UBS AG, Stamford Branch, relating to the Industrial Development Authority of the City of Kansas City, Missouri Variable Rate Demand Tax-Exempt Revenue Bonds, Series 2005B and 2006A (the IDA Bonds).

The KCMAC Bonds

The real estate and the interest in the real estate on which the City's H. Roe Bartle Convention Center Complex is located are owned by the City. Under a Base Lease dated as of September 1, 1990, as amended and supplemented, between the City and Kansas City Municipal Assistance Corporation (KCMAC), the City has leased the Convention Center Complex, together with the real estate on which the same is located, to KCMAC for a term ending on April 15, 2035, or on such earlier or later date that the Series 2004A bonds and the Series 2005 bonds (collectively referred to as KCMAC Bonds herein) are no longer outstanding under the provisions of the Master Indenture. KCMAC has subleased the Convention Center Complex and real estate back to the City under a Master Lease Purchase Agreement dated as of September 1, 1990, as amended and supplemented. Under the Master Lease Purchase Agreement, the City is obligated, subject to annual appropriations by the City Council, to pay each year the amounts which, together with other amounts on deposit in the bond fund, will correspond to the payments of principal and premium, if any, and interest on the KCMAC Bonds as they become due.

The City's total annual debt service expense is equal to the principal and interest payable on the KCMAC Bonds increased or decreased by any payments made or received by the City under the two interest rate swap agreements entered into by KCMAC in connection with the KCMAC Bonds. The interest rate swap agreement entered into by the KCMAC in connection with the Series 2004A bonds requires KCMAC to pay Citibank, N.A., New York (the Counterparty), a fixed interest rate of 3.673% (the 2004A Swap), and the other swap agreement entered into by KCMAC in connection with the Series 2005 bonds requires the KCMAC to pay to the Counterparty 3.655% (the 2005 Swap). In return, KCMAC receives the variable interest rate paid on the KCMAC Bonds during any calculation period (the Bond Rate). If the weighted average of the Bond Rate has exceeded 62.6% of the weighted average of one-month LIBOR plus 30 basis points for a period of more than the next preceding 180 days, the KCMAC shall receive the 62.6% of one-month LIBOR plus 0.30% (the Alternative Floating Rate Option). As of April 30, 2008, the Counterparty has converted from the Bond Rate to the Alternative Floating Rate Option under the 2004A Swap and 2005 Swap. The amortizing notional amounts of the swaps equal the amortizing principal amounts of the outstanding KCMAC Bonds, and the swaps are intended to effectively "fix" the total debt service due on the KCMAC Bonds.

Alternative Floating Rate Option

The Alternative Floating Rate Option shall become effective upon the occurrence of any of the following events. Currently, the Alternative Floating Rate Option is in effect for the 2004A and 2005 swaps. The Bond Rate has been replaced with this alternative pursuant to clause (g) below:

- (a) KCMAC defaults under the swap transaction or the KCMAC Bonds or a Termination Event occurs with respect to which KCMAC is the Affected Party;

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

- (b) conversion of the KCMAC Bonds to an interest rate period other than weekly interest rate or unscheduled redemption of the KCMAC Bonds;
- (c) an Event of Taxability;
- (d) the KCMAC Bonds fail to have, at any time, long-term credit ratings in the "AA" category or higher by either Standard and Poor's or Moody's;
- (e) appointment of a successor or replacement remarketing agent of the KCMAC Bonds without prior written consent of Citibank;
- (f) the KCMAC Bonds are not issued on or prior to the Effective Date, in an aggregate principal amount equal to the initial Notional Amount; and
- (g) the weighted average of the rate on the KCMAC Bonds has exceeded 62.6% of the weighted average of one-month LIBOR plus 30 basis points for a period of more than the next preceding 180 days.

At any time following the occurrence of an Alternative Floating Rate Date, the Counterparty may, at its sole discretion, elect to resume paying any floating amounts based on the Bond Rate as provided in the swap agreement, provided that any such election shall not affect the Counterparty's ability to pay any floating amounts based on the Alternative Floating Rate Option upon the occurrence or continuance of any Alternative Floating Rate Date. No assurance can be given that the Counterparty will ever voluntarily elect to resume paying floating amounts based on the Bond Rate.

Significant Terms

Counterparty	2004A Swap Citibank, N.A., New York	2005 Swap Citibank, N.A., New York
Counterparty ratings:		
Moody's (1)	Aa1	Aa1
S&P (2)	AA	AA
Fitch (3)	AA-	AA-
Trade Date	18-Oct-04	18-Oct-04
Effective Date	19-Oct-04	19-Jan-05
Initial Notional	\$ 80,885,000	20,610,000
Termination Date	15-Apr-34	15-Apr-25
Fixed Rate	3.67%	3.66%
Variable Rate	Bond Rate†	Bond Rate†

Source: Ratings from Bloomberg Finance, L.P. as of May 28, 2008.

- (1) Senior Unsecured Debt Rating
- (2) Long Term Local Issuer Credit Rating
- (3) Long Term Issuer Default Rating

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

†Note: The actual Bond Rate, unless the weighted average of the rate on the KCMAC Bonds exceeded 62.6% of the weighted average of one-month LIBOR plus 30 basis points for a period of more than the next preceding 180 days, in which case the City will receive the Alternative Floating Rate Option (62.6% of one-month LIBOR plus 0.30%). As of April 30, 2008, the City is receiving the Alternative Floating Rate Option under each swap agreement.

Fair Value

The 2004A swap, if it were terminated, had a negative value of \$5,091,858 as of April 30, 2008. The 2005 swap, if it were terminated, had a negative value of \$1,152,547 as of April 30, 2008.

Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. Each fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions, and based on accepted industry standards and methodologies.

The IDA Bonds, Series 2005A, 2005B, 2006A and 2006B (IDA Bonds)

The City and Kansas City Live, LLC, a Maryland limited liability company entered into a Master Development Agreement, dated April 27, 2004 to develop the Project. The Project is expected to include entertainment, dining, specialty retail and housing units. The project area is in the south loop portion of downtown Kansas City and makes up approximately 7 blocks. The revenue bonds are issued pursuant to an Indenture of Trust dated as of March 1, 2005 (the Original Indenture) and by a First Supplemental Indenture of Trust, dated as of July 1, 2006 (the First Supplemental Indenture). In connection with the conversion of the Series 2005A Bonds to a fixed interest rate period, the original indenture, as amended and supplemented by the First Supplemental Indenture was amended and restated pursuant to an Amended and Restated Indenture of Trust, dated as of June 1, 2007. The IDA Bonds, issued on behalf of the City, are secured by the revenue of the project, including Economic Activity Taxes, Payments in lieu of Taxes, city revenues, DESA tax revenues and any other amounts credited to the revenue fund created under the Original Indenture. Application of City revenues, including Economic Activity Taxes and TIF Revenues is subject to annual appropriation by the City.

The City's total annual debt service expense is equal to the principal and interest payable on the IDA Bonds increased or decreased by any payments made or received by the City under the two interest rate swap agreements entered into by the IDA in connection with the IDA Bonds. Each of the interest rate swap agreements entered into by the IDA in connection with the IDA Bonds requires the IDA to pay its respective counterparty a fixed interest rate of 3.287%. In return, IDA receives 68% of 1-month LIBOR (the IDA Swaps). The amortizing notional amounts of the swaps equal the amortizing principal amounts of the outstanding Bonds, and the swaps are intended to effectively "fix" the total debt service due on the IDA Bonds. For the IDA swaps, the total amount of Series 2005B and 2006A bonds of \$134,485,000 has been divided between UBS, AG (65%) and Lehman Brothers (35%). Pursuant to a Financing Agreement with the Authority, the City agreed, subject to annual appropriation, to make payments to the Authority to pay debt service on the KC Live Bonds.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Significant Terms

Counterparty	IDA UBS	IDA Lehman
	Swap UBS, AG	Swap Lehman Brothers Special Financing Inc.*
Counterparty ratings:		
Moody's(1)	Aa1	A1*
S&P(2)	AA-	A+*
Fitch(3)	AA-	AA-*
Trade Date	20-Dec-2007	20-Dec-2007
Effective Date	24-Dec-2007	24-Dec-2007
Initial Notional	\$ 87,415,000	47,070,000
Termination Date	01-Dec-2032	01-Dec-2032
Fixed Rate	3.287%	3.287%
Variable Rate	68% 1M LIBOR	68% 1M LIBOR

* Ratings are based on a guarantee by Lehman Brothers Holdings Inc. Lehman Brothers Special Financing Inc is not rated.

Source: Ratings from Bloomberg Finance, L.P. as of May 28, 2008

(1)&(3) Senior Unsecured Debt Rating

(2) Long Term Local Issuer Credit Rating

Fair Value

The IDA UBS Swap, if it were terminated, had a negative value of \$2,317,313 as of April 30, 2008. The IDA Lehman Swap, if it were terminated, had a negative value of \$1,247,852 as of April 30, 2008.

Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. Each fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies.

Risks

Because the City's debt service payments are predicated on the swap agreements, the City's debt service payments can be affected by the risks that the City is exposed to in connection with each of the swap agreements.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The following risks are generally associated with interest rate swap agreements:

Credit Risk – All swap agreements rely upon the performance of swap counterparties. The KCMAC and IDA are exposed to the risk that their counterparty or counterparties may become unable to fulfill their financial obligations under the swap agreements. The KCMAC and IDA measure the extent of this risk based upon the credit ratings of each counterparty and the fair value of the respective swap agreement. The credit ratings of KCMAC's single counterparty and IDA's two counterparties are shown in the preceding tables. To mitigate the risk of counterparty nonperformance, under the Credit Support Annex for the 2004A and 2005 swaps: i) Counterparty will post collateral in the event that its credit rating is downgraded below A2 and A from Moody's and Standard and Poor's, respectively; ii) KCMAC is not required to post collateral; and iii) the 2004A Swap and the 2005 Swap are insured by Ambac. To mitigate the risk of counterparty nonperformance under the Credit Support Annex for the IDA Swaps i) Counterparty will post collateral in the event that its credit rating is downgraded below A1/A+/A+ or not rated from Moody's, Standard & Poor's, or Fitch and ii) IDA is not required to post collateral.

In addition, it should be noted that as of April 30, 2008, neither KCMAC nor IDA was exposed to actual credit risk under the swap agreements because all of the swaps had a negative fair value (i.e., the Counterparty was exposed to credit risk).

Termination Risk – Termination risk is generally referred to as the risk that a swap could be terminated causing KCMAC or IDA to owe a termination payment as a result of any of several events, which may include: a ratings downgrade of the swap counterparty; covenant violations by either party; bankruptcy of either party; a swap payment default of either party; and other default events as defined by the swap agreements. Any such termination may require KCMAC or IDA to make significant termination payments in the future. To further, mitigate the affect to termination risk, KCMAC has secured insurance provided by AMBAC, for all regularly scheduled payments due under the 2004A Swap and the 2005 Swap and for any amounts due as a result of a termination event. There is no similar policy for the IDA swaps. However, IDA requires highly rated counterparties, and requires the counterparties to post collateral when they are downgraded below A1/A+/A+ or not rated.

If, at the time of termination, the swap has a negative fair value, KCMAC or IDA could be liable to the Counterparty for a payment equal to the swap's fair value. If any of the swap agreements are terminated, either the associated variable rate bonds would no longer be hedged with a synthetic fixed interest rate or the nature of the basis risk associated with the swap agreement may change. Neither KCMAC nor IDA is aware of any pending event that would lead to a termination event with respect to any of its swap agreements.

Basis Risk – Each of the swap agreements is associated with certain debt obligations. The debt associated with each of the swap agreements pays interest at variable interest rates. The KCMAC and IDA receive variable payments under the swap agreements. To the extent these variable payments are not equal to the variable interest payments on the associated debt, there may be either a net loss or net benefit to the KCMAC and/or IDA.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

During periods of time when the 2004A Swap and the 2005 Swap pay interest at the Bond Rate, the KCMAC is not subject to basis risk. As of April 30, 2008, the Alternative Floating Rate is in effect for the 2004A and 2005 Swaps. It is not certain that the variable receipts under the swaps will completely offset the variable payments due on the Bonds; therefore, the KCMAC is currently subject to basis risk. The IDA swaps have variable receipts that are tied to a fixed percentage of 1 Month LIBOR, therefore, IDA is subject to basis risk at all times under their swap agreements.

Since the KCMAC swap agreements converted to the Alternative Variable Rate Option, KCMAC is also subject to tax risk. Tax risk is an extreme form of basis risk in which changes in the trading relationship between taxable and tax-exempt bonds reduce swap receipts to the point that they are insufficient to offset portions of any variable rate bond payments. The IDA swaps at all times subject the IDA to Tax Risk. Tax risk is inherent in any un-hedged tax-exempt variable rate issued by the KCMAC or IDA.

Rollover Risk – Rollover risk occurs when the term of the swap agreement is not coincident with the repayment term of the underlying debt obligation. The KCMAC's and IDA's source swap agreements have terms equal to the repayment terms of the underlying debt obligations.

Swap Payments and Associated Debt – As of April 30, 2008, the projected debt service requirements of the variable rate debt and the net swap payments, assuming current interest rates remain the same and the swap receipt rate is equal to the Alternative Floating Rate for the KCMAC Swaps and 68% of 1 Month LIBOR for the IDA Swaps, are shown below. As rates vary, the variable rate bond interest payments and net swap payments will vary in the future. Interest rate used for calculating variable interest is 4.00% for the MAC Bonds and 5.00% for the IDA Bonds, the weekly rate assigned by the remarketing agent during the final full week in April, 2008. The interest rate for determining the variable portion of the net swap payment is the April 28, 2008 1-month LIBOR rate (2.8625%) which was selected based on the ISDA definition of 1-month LIBOR (two day look back from April 30, 2008) (in thousands).

KCMAC, Series 2004A

	Principal	Interest (variable)	Interest rate swap net	Total
Year:				
2009	\$ —	3,229	1,282	4,511
2010	—	3,235	1,279	4,514
2011	—	3,235	1,279	4,514
2012	—	3,241	1,276	4,517
2013	—	3,229	1,282	4,511
2014 – 2018	—	16,177	6,394	22,571
2019 – 2023	—	16,177	6,394	22,571
2024 – 2028	—	16,183	6,391	22,574
2029 – 2033	51,810	15,181	6,004	72,995
2034	29,075	1,163	460	30,698
Total	\$ 80,885	81,050	32,041	193,976

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

KCMAC, Series 2005

	Principal	Interest (variable)	Interest rate swap net	Total
Year:				
2009	\$ —	823	323	1,146
2010	—	824	322	1,146
2011	—	824	322	1,146
2012	—	826	321	1,147
2013	—	823	323	1,146
2014 – 2018	—	4,122	1,611	5,733
2019 – 2023	—	4,122	1,611	5,733
2024 – 2025	20,610	1,559	609	22,778
Total	\$ 20,610	13,923	5,442	39,975

IDA Bonds

	Principal	Interest (variable)	Interest rate swap net	Total
Year:				
2009	\$ —	6,710	1,807	8,517
2010	775	6,711	1,799	9,285
2011	2,690	6,641	1,780	11,111
2012	2,715	6,519	1,738	10,972
2013	3,030	6,352	1,711	11,093
2014 – 2018	19,665	29,159	7,813	56,637
2019 – 2023	27,990	23,335	6,252	57,577
2024 – 2028	38,955	15,112	4,045	58,112
2029 – 2033	38,665	4,356	1,168	44,189
Total	\$ 134,485	104,895	28,113	267,493

KCMAC Hodge Park Bonds (Refunding of Series 1998A)

In March 2008, the City issued its Special Obligation Improvement and Refunding Bonds, Series 2008A. The refunding portion of Series 2008A was used to currently refund KCMAC Leasehold Bonds (Hodge Park Project), Series 1998A.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Refunding of Series 1998A

A total of \$5,875,000 of the Series 2008A bond issue was used to currently refund \$6,310,000 principal amount of Series 1998A. The interest rates on the refunding bonds range from 3.0% to 4.844%. The interest rates on the refunded bonds range from 4.50% to 5.20%. The net proceeds of \$6,494,715 (after allocation of \$43,671 to the cost of issuance fund, payment of \$32,898 for underwriter discount, payment of \$78,103 of bond insurance premium, allocation of \$34,382 to original issue discount, and receipt of \$60,769 of premium and \$748,000 from the 1998A Debt Service Reserve Fund) were used to pay the principal amount, redemption price and interest thereon on March 14, 2008. As a result, the 1998A series of bonds are refunded and the liability for those bonds has been removed from the financial statements.

The City completed the current refunding, which will cause the debt service to have a decrease of \$476,434 over the next 15 years. The refunding obtained an economic gain of \$65,000.

KC Live Bonds Refunding

Pursuant to the Indenture of Trust dated as of March 1, 2005 (the Original Indenture) and later amended and supplemented by a First Supplemental Indenture of Trust (the First Supplemental of Indenture) (collectively, the Indenture), dated July 1, 2006, the Industrial Development Authority of Kansas City, Missouri (the Authority) issued the following series of bonds on behalf of the City: Series 2005A Bonds (\$115,015,000 par amount), Series 2005B Bonds (\$64,985,000 par amount), Series 2006A Bonds (\$69,500,000 par amount), and Series 2006B Bonds (\$45,500,000 par amount) (collectively, the KC Live Bonds). The bonds were issued for the purpose of providing funds to pay a portion of the costs associated with the Kansas City Downtown Redevelopment District Project (the KC Live Project). Pursuant to a Financing Agreement with the Authority, the City agreed, subject to annual appropriation, to make payments to the Authority to pay debt service on the KC Live Bonds.

In June 2007, the Authority converted \$115.015 million Series 2005A Bonds from weekly floaters (the Series 2005A Weekly Floaters) to \$114.915 million long-term fixed rate bonds (the Series 2005A Long-Term Fixed Rate Bonds). Net Original Issue Premium proceeds provided sufficient funds to repay the differential in the par amount as well as to pay transaction costs. The Series 2005A Long-Term Fixed Rate Bonds have a final maturity of 12/1/32, like the Series 2005A Weekly Floaters, and have interest rates ranging from 4.00% to 5.50%. Over its term, the Series 2005A Long-Term Fixed Rate Bonds will incur \$94.544 million of interest costs, assuming these bonds are not refunded prior to maturity. The interest rate of the Series 2005A Weekly Floaters was reset weekly through the efforts of the remarketing agent. The City and the IDA did not convert the Series 2005A Weekly Floaters to long-term fixed rates for debt service savings but rather as part of a plan to rebalance the City's debt portfolio and to decrease the City's overall interest rate exposure.

Debt Defeasance

In April 2007, the City issued its General Obligation Improvement and Refunding Bonds, Series 2007A. A refunding portion of Series 2007A was used to advance refund General Obligation Bonds (Streetlight Project), Series 2000A. Out of the refunded principal amount, \$30,140,000 remains outstanding as of April 30, 2008. The \$30,460,000 portion of Series 2007A was deposited in an irrevocable trust with an escrow agent. Therefore, the \$30,140,000, portion of the 2000A issue is considered defeased, and the liability has been removed from the City's long term obligations.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

In March 2007, the City issued the IDA of the City of Kansas City, Missouri, Infrastructure Facilities Refunding Revenue Bonds, Series 2007A. A portion of the bonds were used to advance refund the MDFB's Infrastructure Facilities Revenue Bonds, Series 2000A (Midtown Redevelopment Project). Out of the principal amount, \$39,400,000 remains outstanding as of April 30, 2008, which would be paid from Series 2007A bond proceeds that were deposited in an irrevocable trust with an escrow agent.

Discretely Presented Component Units – Information about specific component unit debt is available in their separately issued financial statements.

Conduit Debt – The City has issued debt for economic development from time to time. This debt is issued for the benefit of third parties, and the City had no obligation for repayment beyond the resources provided by the initial lease or loan, which has been assigned to various financial or banking entities. Debt outstanding of this nature includes taxable industrial revenue bonds of \$369,822,266 as follows: Harley Davidson (Series 1996A), \$81,999,967, Harley Davidson (Series 1996B), \$890,000, Liberty Mutual, (Series 2002E), \$50,000,000, MasterCard International, LLC, (Series 2003D); \$36,382,000, Amerisource-Bergen (Series 2003E-1), \$17,511,666, Amerisource-Bergen (Series 2003E-2), \$16,463,796, Bayer Cropscience (Series 2004I), \$40,000,000, Cerner Properties (Series 2005J), \$17,170,912, H&R Block (Series 2005I), \$31,000,000, and Cerner Properties; \$78,403,925 (Series 2007A).

Notes Payable – On October 15, 2005, the City entered into a master note payable agreement with Koch Financial Corporation (Koch). Note payable had an initial term beginning October 15, 2005 to April 30, 2006 with options to renew for four (4) additional one-year terms. Since October 15, 2005, the City has renewed its options and has drawn upon the note payable to provide funds for the acquisition and installation of various capital equipment and other personal property. The interest rate for each draw is provided at municipal market debt yield (MMD) of the AAA general obligations plus a certain amount of spread. The spreads are based on an agreed upon schedule, which varies depending on the term. The interest rates drawn upon the note payable range from 3.2% to 4.78%. To secure the payment of all of the City's liability, the City grants to Koch a security interest in the assets purchased.

(8) Lease Agreements

Following are descriptions of the City's major lease agreements:

Business-Type Activities

Kansas City Airports Fund (Lessor)

The Department has a four-year use and lease agreement (the Agreement) with certain air carriers serving Kansas City International Airport (signatory carriers) effective through April 30, 2009. Pursuant to the Agreement, signatory air carriers have agreed to a guaranteed minimum amount of rentals and fees based upon expected levels of use of airport facilities. Further, the Agreement provides the determination for the landing fees and apron, terminal, and passenger boarding rents at the airport, along with granting certain rights and privileges to air carriers, both passenger and cargo. The Agreement provides for an annual settlement, post fiscal year-end close, whereby the rates and charges are recalculated using audited financial statements to determine any airline over/under payment. For the year ended April 30, 2008, \$27,191 was due to the airlines.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Minimum future rentals scheduled to be received on operating leases that have initial or remaining noncancelable terms in excess of one year for each of the next five years and, thereafter, at April 30, 2008 are as follows (in thousands):

Fiscal year:	
2009	\$ 9,604
2010	8,797
2011	8,100
2012	6,785
2013	6,768
2014 - 2018	32,631
2019 - 2023	26,935
2024 - 2028	19,886
2029 - 2033	11,986
2034 - 2038	7,643
2039 - 2043	5,355
2044 - 2048	5,355
2049 - 2053	2,856
Total	<u>\$ 152,701</u>

(9) Related Party Footnote

(a) *Memorandum of Agreement with the Federal Aviation Administration*

On June 27, 2007, the City sold the former Richards-Gebaur Air Force Base to the Port Authority for \$10.6 million, resulting in a gain on sale of \$1.1 million. Proceeds from the sale are restricted and will be utilized for capital improvements at the Downtown Airport or at MCI. The sale terminates the City's obligations of the Memorandum of Agreement with the Federal Aviation Administration and the operating lease with the Port Authority.

(b) *Lease Agreements with Related Party*

Richards-Gebaur Airport

On April 13, 2007, the Port Authority entered into a Cooperative and Purchase Agreement with the City. Under this agreement, the City agreed to convey to the Port Authority, in exchange for \$10,600,000, approximately 1,318 acres of land and improvements the City owned and managed at the former Richards-Gebaur Air Force Base. In connection with this agreement, the Port Authority also entered into a Development and Sales Agreement with CenterPoint Properties Trust (CenterPoint). Among other things, the agreements require the Port Authority to sell to CenterPoint up to approximately 1,218.7 of the surface portion of the Richards-Gebaur property for a price of \$10,600,000. CenterPoint has the option of having additional portions of the surface property conveyed to it throughout a period of up to 15 years, although the purchase price is fixed at \$10,600,000 regardless of the number of acres ultimately conveyed. The agreement with CenterPoint also provides that the rights and obligations under existing leases be assigned to CenterPoint as the property is conveyed. All of the property to be conveyed to CenterPoint is exclusive of its mineral rights. The Port Authority will retain ownership of all rights to the subsurface of the property (i.e.,

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

that portion of the property lying at and below the top of the Winterset Ledge of limestone rock), together with all mineral rights associated with the property.

On June 27, 2007, the City conveyed all of the property to the Authority. On that same date, at the request of CenterPoint, the Port Authority conveyed approximately 730 acres of the surface property to CenterPoint. Included with the property conveyed to CenterPoint was all of the property that had previously been leased to Kansas City Southern Railway Company (KCSR). Also during the year ended April 30, 2008, an additional approximate 32 acres was conveyed to CenterPoint, which immediately transferred it to another party for development purposes.

As part of the agreement, CenterPoint must achieve a development benchmark of having acquired for development not less than 250 acres (exclusive of property leased to KCSR) by June 27, 2017 or forfeit its right to the remaining land. Based on the land conveyed to date and the development progress that has been achieved, management believes this development benchmark has been achieved.

In connection with the City's conveyance of the property, the Port Authority during the year ended April 30, 2008 has recorded rent revenues of \$423,870 arising from leases on property not yet conveyed to CenterPoint. Management estimates the Port Authority will continue to receive approximately \$375,000 of annual rent revenues in fiscal 2009. The Port Authority has agreed to use all rents received for purposes specified in the agreement with the City.

Included in the land purchased from the City was approximately 100 acres of land not yet sold to CenterPoint.

On June 27, 2007 (the effective date), the Port Authority entered into a Limestone Extraction Lease Agreement with Hunt Midwest Real Estate Development, Inc., (Hunt Midwest), whereby the Authority leased approximately 100 acres of the surface of the property described above and all of the subsurface of the property to Hunt Midwest. Under the mining lease, Hunt Midwest has rights to mine limestone rock from the subsurface of the property. If within a period of one year after the effective date of the lease (the inspection period), Hunt Midwest determines that the property is not suitable for its purposes, it may terminate the lease. Once Hunt Midwest has determined that the property is suitable for its purposes and has obtained all necessary licenses and permits and starts producing and selling limestone products, it is required to pay the Port Authority a minimum annual royalty of \$62,500. As of April 30, 2008, the Port Authority and Hunt Midwest have agreed to extend the inspection period an additional year. Management believes in future years that the Port Authority will receive estimated annual royalties approximating \$200,000.

Isle of Capri Casino

On May 14, 1993, the Port Authority entered into a long-term lease agreement for certain real property fronting along the Missouri River (the Property) with the City.

In March 1993, the Port Authority entered into a development agreement (Development Agreement) with Hilton Hotels Corporation (Hilton), whereby Hilton agreed to develop certain portions of the Property for riverboat gambling (the Casino Property). In addition, the Port Authority, as the landlord, and Hilton, as the tenant, entered into a long-term lease agreement for the Casino Property.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

On August 21, 1995, the Port Authority and Hilton entered into an amended and restated lease for the Casino Property (as subsequently amended on October 31, 1995 and on June 10, 1996, the Casino Lease).

The Casino Lease provided for an initial 10-year term, beginning on the "Opening Date" of the casino, which was October 18, 1995, so the initial 10-year term expired on October 18, 2005. The tenant is deemed to have elected to renew the Casino Lease for subsequent 5-year renewal terms (for a total of eight 5-year renewal terms, if all are elected) unless the tenant notifies the Port Authority at least 12 months before the end of the immediately preceding term negating the deemed election. No such notice was provided to the Port Authority, so the parties are in the third year of the first 5-year renewal term.

Hilton's rights and obligations under the Development Agreement and the Casino Lease were assigned to and assumed by the Isle of Capri Casino (IOC) during fiscal year 2001, so that IOC is the current tenant of the Casino Property. On August 15, 2005, the Port Authority and IOC entered into an Amended and Restated Development Agreement in which the Port Authority and IOC agreed to amend and restate the Hilton development Agreement. The Port Authority and IOC are currently negotiating the amended and restated Casino Lease. Management does not believe that the provisions of the amended and restated lease will have any material impact on the Port Authority's future operations.

Beginning on the Opening Date and continuing during the remainder of the initial 10-year term, the tenant was to pay a minimum net annual rent of \$2,000,000 per year, in advance, on the Opening Date and on the date of each and every annual anniversary of the Opening Date thereafter. The agreement provides for increases in the minimum net annual rent for each renewal term by the percentage of change in the Consumer Price Index (CPI) as of the Opening Date to the Consumer Price Index as of the first day of any such renewal term. Effective October 18, 2005, and based on the change in the Consumer Price Index, the minimum net annual rent for the first renewal term was increased to \$2,550,000. In addition to the minimum net annual rent, the tenant throughout the term of the lease (including renewal periods) is required to pay as percentage rent an amount equal to 3.25% of gross revenues (as defined in the agreement) less the minimum net annual rent paid in advance. During the year ended April 30, 2008, there was \$2,925,705 of total lease revenue (net annual rent) attributable to the IOC lease.

In connection with this lease, effective May 1, 2006, the Port Authority is required to set aside for use by the City one-half of each years' net annual rent (\$1,462,853 for the fiscal year ended April 30, 2008).

The Port Authority leased certain real property fronting along the Missouri River from the City under the original lease agreement dated May 14, 1993. Effective August 21, 2006, the original lease was superseded and replaced by the "First Amended and Restated Lease Agreement" (Restated Lease). Under the Restated Lease, the property continues to be leased for development purposes; however, the expiration date was changed to be midnight on August 20, 2056.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(10) Employee Benefit Plans

Substantially all City employees and elected officials of the City, as well as employees of the Police Department, are covered by contributory defined benefit retirement plans: Employees' Retirement System, Firefighters' Pension System, Police Retirement System, and Civilian Employees' Retirement System. These plans pay a monthly pension to qualified individuals upon retirement. The amount is based upon a combination of years of service and annual salary.

(a) *Police Retirement System and Civilian Employees' Retirement System*

Plan Descriptions

The retirement board of the Police Retirement System of Kansas City, Missouri (the Board) administers the Civilian & Police Plans, contributory, single-employer, defined benefit public employee retirement plans. The Board issues publicly available financial reports that include financial statements and required supplementary information for the Civilian & Police Plans. The Board is responsible for establishing or amending plan provisions. The financial reports may be obtained by writing to The Retirement Board of the Police Retirement System of Kansas City, Missouri, 1328 Agnes, Kansas City, Missouri 64127 or by calling (816) 482-8138.

The City is not legally responsible to pay the pension contribution for the two police pension plans directly to the pension systems, but provides funding on behalf of the Board of Police Commissioners. The amount reported in the City's general fund as police expenditures comprises all costs of the Police Department, including these pension contributions. The amount reported in the Police Department discretely presented component unit combining statement of changes in net assets as operating grants and contributions includes the City's on-behalf payment to fund the two pension plans.

Funding Policy

The Civilian & Police Plans' funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The employer contributions are established by the Board. Level percentages of payroll employer contribution rates are determined using the individual entry age normal method.

As a condition of participation in the Police Retirement System, members are required to contribute a certain percentage of their compensation until they retire. For the year ended April 30, 2008, members contributed 10.55% of their compensation. The City contributes the balance required to pay pensions and maintain the system on an actuarially sound basis and would fund the normal cost and amortize the net unfunded actuarial liability.

The City's contributions amounted to 19.70% of compensation for the year ended April 30, 2008. The actual contribution rates approved by the plan have been less than the rates recommended by the actuary for 5 of the last 10 years. The ultimate viability of the plan is dependent upon the relationship of actual plan experience with the underlying actuarial assumptions and/or sufficient funding by the City to meet future cash flow needs. The most recent actuarial valuation was performed as of April 30, 2007 and was available in developing the budget for the year ending April 30, 2009.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

As a condition of participation in the Civilian Employees' Retirement System, members are required to contribute 5% of their salary to the plan. The City contributes the balance required to pay pensions and maintain the system on an actuarially sound basis. For the year ended April 30, 2008, the City contributed at a rate of 13.14% of members' salaries. The actual contribution rates approved by the plan have been less than the rates recommended by the actuary for the last 7 years. The ultimate viability of the plan is dependent upon the relationship of actual plan experience with the underlying actuarial assumptions and/or sufficient funding by the City to meet future cash needs. The most recent actuarial valuation was performed as of April 30, 2007 and was available in developing the budget for the year ending April 30, 2009.

Administrative Expenses

Actuarial investment management and bank trustee fees and expenses are included in the Civilian & Police Plans' administrative expenses when incurred. The Police Department provides office space without any direct charge to the plans.

The annual pension cost and net pension obligation as of April 30, 2008 are as follows (in thousands):

	Police Retirement System	Civilian Employees' Retirement System
Annual required contribution	\$ (22,749)	(4,203)
Interest on net pension asset (obligation)	(50)	(517)
Adjustment to annual required contribution	(38)	(399)
Annual pension cost	(22,837)	(5,119)
Contributions made	15,747	3,372
Change in net pension obligation	(7,090)	(1,747)
Net pension obligation, beginning of year	(642)	(6,671)
Net pension obligation, end of year	\$ (7,732)	(8,418)

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The information presented below was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation follows:

Schedule of Employer Contributions

(In thousands)

	<u>Fiscal year ended</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension asset (obligation)</u>
Police Retirement System	04/30/06	\$ 18,797	72%	\$ 6,169
	04/30/07	21,338	68	(642)
	04/30/08	22,837	69	(7,732)
Civilian Employees' Retirement System	04/30/06	\$ 3,551	62%	\$ (5,405)
	04/30/07	3,548	68	(6,671)
	04/30/08	5,119	80	(8,418)

Police Retirement System and Civilian Employees' Retirement System

Valuation date	April 30, 2007
Actuarial cost method	Individual entry age normal
Amortization method	Level percent closed
Remaining amortization period	14 years
Actuarial assumptions:	
Investment rate of return	7.75% per annum

	<u>Age</u>	<u>Salary scale</u>	
		<u>Police</u>	<u>Civilian</u>
Projected salary increases based on age as follows: *	25	8.3%	7.5%
	35	7.3	6.7
	45	5.2	5.8
	55	5.0	5.1
Cost of living adjustments *	3.0%, simple		

* Includes inflation rate assumption of 3.5%

Actuarial Value of Assets

Market value of assets on the valuation date:

- Minus 75% of net realized and unrealized gain (loss) during the prior plan year

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

- Minus 50% of net realized and unrealized gain (loss) during the plan year two years prior
- Minus 25% of net realized and unrealized gain (loss) during the plan year three years prior

(b) *Employees' Retirement System*

Plan Description

The board of trustees of the Employees' Retirement System of the City of Kansas City, Missouri (the Board) administers the Employees' Retirement System of the City (the Employees' Plan), a contributory, single-employer, defined benefit public employee retirement plan. The Board is responsible for establishing and amending plan provisions. The Board issues publicly available financial reports that include financial statements and required supplementary information for the Employees' Plan. The financial reports may be obtained by writing to The Retirement Division of the City of Kansas City, Missouri, 12th Floor, City Hall, 414 East 12th Street, Kansas City, Missouri 64106, or by calling (816) 513-1928.

Funding Policy

Financing is provided by contributions from the Employees' Plan members, the City, and earnings on investments. Members contribute 4% of base salary. The City's contribution is set by the City Council in conjunction with its approval of the annual budget based on information provided by the Employees' Plan's consulting actuary and the Board.

The recommended contribution rate is determined by the Employees' Plan's consulting actuary using the entry age normal actuarial cost funding method. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the actuarial accrued liability.

Based upon the April 30, 2006 actuarial valuation, which was the most recent actuarial data available when the budget was developed for the year ended April 30, 2008, the actuary recommended a City contribution rate of 12.06% for general employees. The City contributed at a rate of 12.03% in 2007 and 2008. The City's contribution rate was 19.5% for elected officials for 2007 and 2008.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Administrative Expenses

The Employees' Plan's administrative salary, duplicating, telecommunications, and travel expenses are included in the Employees' Plan's administrative expenses when incurred. The City provides office space, administrative and clerical services of the Human Resources Department, and accounting services of the Finance Department without any direct charge to the Employees' Plan.

Schedule of Employer Contributions

(In thousands)

	<u>Fiscal year ended</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
Employees' Retirement System	04/30/06	\$ 25,959	68%	\$ (12,648)
	04/30/07	18,211	102	(12,364)
	04/30/08	16,171	124	(8,524)

The annual pension cost and net pension obligation as of April 30, 2008 are as follows (in thousands):

Annual required contribution	\$ (15,624)
Interest on net pension obligation	(958)
Adjustment to annual required contribution	411
Annual pension cost	(16,171)
Contributions made (employer)	20,011
Change in net pension obligation	3,840
Net pension obligation, beginning of year	(12,364)
Net pension obligation, end of year	\$ (8,524)

The net pension obligation as of April 30, 2008, are allocated as follows (in thousands):

Net pension obligation:	
Governmental activities	\$ (5,755)
Water	(1,058)
Kansas City airports	(902)
Sewer	(809)
Total	\$ (8,524)

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Employees' Retirement System

Valuation date	May 1, 2007
Actuarial cost method	Entry age
Amortization method	Open 30-year amortization, level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	7.75% per annum
Projected salary increases *	6.0% per annum
Cost of living adjustments *	3.0%, simple (1.0% for elected officials) per annum

* Includes inflation rate of 3%.

Actuarial Value of Assets

The City uses the five-year, smoothed-market method of valuing assets, which recognizes the fair market value of assets. The following represents the components of the asset valuation:

- a. The actuarial value of the beginning of the year; plus
- b. The increase in cost value during the year, excluding realized capital gains and losses; plus
- c. Interest at the assumed net rate of investment return for those invested assets for which accounting does not reflect investment income; plus
- d. 20% of the difference between market value and the sum of a, b, and c
- e. If the actuarial value of assets is less than 90% or more than 110% of the market value, an adjustment is made to the actuarial value to bring the value within the corridor.

(c) *Firefighters' Pension System*

Plan Description

The board of trustees of the Firefighters' Pension System of the City of Kansas City, Missouri (the Board) administers the Firefighters' Pension System of the City (the Firefighters' Plan), a contributory, single-employer, defined benefit public employee retirement plan. The Board is responsible for establishing or amending plan provisions.

The Board issues publicly available financial reports that include financial statements and required supplementary information for the Firefighters' Plan. The financial reports may be obtained by writing to The Retirement Division of the City of Kansas City, Missouri, 12th Floor, City Hall, 414 East 12th Street, Kansas City, Missouri 64106, or by calling (816) 513-1928.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Funding Policy

Financing is provided by contributions from the Firefighters' Plan members, the City, and earnings on investments. Firefighters contribute 9.55% of base salary. The City's contribution is set by the City Council in conjunction with its approval of the City's annual budget based on information provided by the Firefighters' Plan's consulting actuary and the Board.

The recommended contribution rate is determined by the Firefighters' Plan's consulting actuary using the entry age normal actuarial cost funding method. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the actuarial accrued liability.

Based upon the May 1, 2006 actuarial valuation, which was the most recent actuarial data available when the budget was developed for the year ended April 30, 2008, the actuary recommended a City contribution rate of 21.46%. The Board recognized a scheduled City contribution rate of 19.6% for 2008. The City Council approved a City contribution rate of 19.6% for the year ended April 30, 2008. The May 1, 2007 actuarial valuation, which calculated the 2008 annual required contribution, recommended a City contribution rate of 19.6%.

In addition to the benefits described above, firefighters retirees also receive a monthly subsidy ("subsidy"), intended to be used for, but not limited to, health insurance costs. Firefighters contribute 1% of base salary and the City contributes 2% to fund the subsidy. Prior to April 1 of each year, the board of trustees of the Firefighters' Plan establishes the dollar value of the monthly subsidy. The monthly subsidy for the year ended April 30, 2008 was \$210. The investments held for the monthly subsidy totaled approximately \$1.6 million at April 30, 2008. The actuarial valuation does not consider the subsidy's plan net assets, which were approximately \$1.6 million. According to the City ordinance that established the subsidy, if the net assets available for the subsidy are zero, the subsidy will no longer be available. For the year ended April 30, 2008, employer and employee contributions for the subsidy were \$1 million and \$500 thousand, respectively.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Administrative Expenses

Plan administrative salary, duplicating, telecommunications, and travel expenses are included in the Firefighters' Plan's administrative expenses when incurred. The City provides office space, administrative, and clerical services of the Human Resources Department, and accounting services of the Finance Department without any direct charge to the Firefighters' Plan.

Schedule of Employer Contributions

(In thousands)

	Fiscal year ended	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
Firefighters' Pension System	04/30/06	\$ 9,806	93%	\$ (3,116)
	04/30/07	9,556	99	(3,210)
	04/30/08	8,875	111	(2,228)
Annual required contribution		\$ (8,734)		
Interest on net pension obligation		(249)		
Adjustment to annual required contribution		108		
Annual pension cost		(8,875)		
Contributions made (employer)		9,857		
Change in net pension obligation		982		
Net pension obligation, beginning of year		(3,210)		
Net pension obligation, end of year		\$ (2,228)		

Firefighters' Pension System

Valuation date	May 1, 2007
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	8.0% per annum
Projected salary increases *	3.0% to 8.0% per annum, depending on age
Cost of living adjustments *	3%, simple
* Includes inflation rate of 3%.	

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Actuarial Value of Assets

The City uses the five-year, smoothed-market method of valuing assets, which recognizes the fair market value of assets. The following represents the components of the asset valuation:

- a. The actuarial value of the beginning of the year; plus
- b. The increase in cost value during the year, excluding realized capital gains and losses; plus
- c. Interest at the assumed net rate of investment return for those invested assets for which accounting does not reflect investment income; plus
- d. 20% of the difference between market value and the sum of a, b, and c
- e. If the actuarial value of assets is less than 90% or more than 110% of the market value, an adjustment is made to the actuarial value to bring the value within the corridor.

(11) Postemployment Benefits Other Than Pensions

(a) *The City of Kansas City*

Effective May 1, 2007 the City adopted Governmental Accounting Standards Board Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. This statement requires the accounting for the annual cost of other post employment benefits and the related outstanding liability using an actuarial approach similar to pensions. The City implemented prospectively (zero net obligation at transition).

Plan Description

The City sponsors a single-employer, defined benefit healthcare plan that provides healthcare benefits to retirees' (employees and firefighters) and their dependents, including medical and pharmacy coverage.

The City requires the retirees to pay 100% of the same medical premium charged to active participants. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered OPEB under GASB 45.

Retirees and spouses have the same benefits as active employees. Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies.

Funding Policy

GASB Statement 45 does not require funding of the OPEB liability, and at this time, the liability for the City is unfunded. Contributions are made to the plan on a pay-as-you-go basis.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

For the year ended April 30, 2008, retirees receiving benefits contributed \$5,529,203 for current premiums (approximately 72.5% of total premiums), through their required contracted amount paid to Blue Cross Blue Shield of Kansas City for the plan of the retirees' choosing. Total premiums paid for the year were \$7,628,745.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Normal cost	\$	(6,987)
Amortization of unfunded actuarial accrued liability		(9,030)
Interest on net OPEB obligation		—
Adjustment to annual required contribution		—
Annual OPEB cost		(16,017)
Contributions made (employer)		2,101
Change in net OPEB obligation		(13,916)
Net OPEB obligation, beginning of year		—
Net OPEB obligation, end of year	\$	<u>(13,916)</u>

The net OPEB obligation is allocated as follows:

Governmental activities	\$	(11,025)
Water		(1,105)
Kansas City airports		(941)
Sewer		(845)
	\$	<u>(13,916)</u>

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost (AOC)</u>	<u>Percentage of AOC contributed</u>	<u>Net OPEB obligation</u>
04/30/08	\$ 16,017	13%	\$ (13,916)

Funded Status and Funding Progress

As of April 30, 2006, the most recent (initial) actuarial valuation date, the Plan was 0.0% funded. The actuarial accrued liability for benefits was \$150.4 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$150.4 million. Covered payroll was \$193.4 million, and the ratio of UAAL to the covered payroll was 77.76%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2006, actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets (of which there are none) and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% after eleven years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2006 was 30 years.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(b) *The Police Department of Kansas City*

Plan Description

The Kansas City Missouri Board of Police Commissioners (the Board) sponsors a single-employer, defined benefit healthcare plan that provides healthcare benefits to retirees' and their dependents, including medical, and pharmacy coverage. Participants include police and civilian members of Kansas City Police Department

The Board requires the retirees to pay 30% more than premiums charged to active participants. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered OPEB under GASB 45.

Retirees and spouses have the same benefits as active employees. Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies.

Funding Policy

GASB Statement 45 does not require funding of the OPEB liability, and the Board has chosen not to fund it. Board policy dictates the payment of retiree claims as they become due.

Annual OPEB Cost and Net OPEB Obligation

The Board's annual OPEB cost is calculated on the annual required contribution (ARC) of the employer an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liability over a period not to exceed 30 years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The Police/Civilian annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

	<u>Fiscal year ended</u>	<u>Annual OPEB cost (AOC)</u>	<u>Percentage of AOC contributed</u>	<u>Net OPEB obligation</u>
Board of Police Commissioners'	04/30/08	\$ 2,155	12%	\$ (1,901)
Annual required contribution				\$ (2,155)
Interest on net OPEB obligation				—
Adjustment to annual required contribution				—
Annual OPEB cost				(2,155)
Contributions made (employer)				254
Change in net OPEB obligation				(1,901)
Net OPEB obligation, beginning of year				—
Net OPEB obligation, end of year				\$ (1,901)

Funded Status and Funding Progress

As of April 30, 2006, the most recent (initial) actuarial valuation date, the Plan was 0.0% funded. The actuarial accrued liability for benefits was \$31,355,813, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$31,355,813. The covered payroll (annual payroll of active employees covered by the plan) was \$92.8 million, and the ratio of UAAL to the covered payroll was 33.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

In the April 30, 2006 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% after 11 years. UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2006 was 30 years.

(12) Commitments and Contingencies

(a) *Purchase and Construction Commitments*

At April 30, 2008, purchase and construction contract commitments, including obligations for capital outlay, are as follows (in thousands):

Water	\$	38,588
Kansas City airports		79,311
Sewer		12,589
General Fund		11,272
Capital improvements fund		54,414
Nonmajor governmental funds		127,448
	\$	<u>323,622</u>

(b) *Risk Management*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for workers' compensation and general liability exposures. Two internal service funds (the Funds), had been established to account for and finance losses to these exposures. These funds were closed at the end of fiscal year 2008. The City has purchased insurance to limit fund exposure to \$1,000,000 on workers' compensation claims per occurrence occurring prior to fiscal year 1997, \$500,000 fund exposure for all claims originating in fiscal year 1997, \$400,000 fund exposure for all claims originating in fiscal year 1998, \$2,000,000 fund exposure for claims originating between fiscal year 2003 through fiscal year 2007 and \$1,000,000 fund exposure for claims originating in fiscal year 2008. The City limits its exposure to workers' compensation claims expense by purchasing an excess workers' compensation policy. The policy has a \$1,000,000 retention with statutory limits. The City also purchases an excess liability policy to cover torts, which are not barred by sovereign immunity. The policy has a \$2,500,000 retention and a \$5,000,000 loss limit. Current sovereign tort immunity statutes and law limit general liability and automobile claim exposure to a maximum of \$355,396 per person and \$2,500,000 per occurrence. Property claim exposure is \$150,000 per claim. Settled claims have not exceeded the self-insured retention in any of the past three fiscal years.

All funds of the City participated in the program and made payments to the Funds based on estimates of the amounts needed to pay prior and current year claims. The claims liability of \$21,289,392, \$5,247,505, \$3,384,929, and \$1,503,620 for the governmental activities and the Water, Sewer and Aviation Fund, respectively, at April 30, 2008 is based on the requirement that a liability for claims

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The total claims liability reported in the governmental activities and business type activities are as follows:

	Beginning of year	Current claims and estimate changes	Claim payments	End of year	Due within one year
2008	\$ 32,297	14,248	15,120	31,425	8,660
2007	26,608	13,892	8,203	32,297	7,679
2006	20,442	14,684	8,518	26,608	6,670

(c) Federal Grant Funds

Use of federal, state, and locally administered federal grant funds is subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grant.

The Department of Homeland Security – Office of Inspector General (OIG) audited the public assistance funds awarded to the City. The City received a pass-through award of \$28.44 million from the State of Missouri, State Emergency Management Agency (SEMA), a Federal Emergency Management Agency (FEMA) grantee for damages resulting from a severe winter ice storm that took place on January 29, 2002.

The audit was issued on July 28, 2006 to the Regional Director of FEMA Region VII and has questioned \$9,301,699 of previously reimbursed costs to the City. The audit recommends that the Regional Director disallow the full \$9,301,699. The Regional Director has not provided a response to the audit.

The City has decided to not further contest questioned costs of \$874,000 and has recorded this amount as a liability in the financial statements. The City believes that it is reasonably possible that additional amounts may be owed; however, since the Regional Director has not responded to the audit findings, the amount and outcome is not probable.

(13) Fund Deficits

The trafficway maintenance fund (special revenue fund) has a deficit fund balance of \$362,000 due to a shortfall in property tax collections during the year. Future property tax collections will cover the deficit.

The police drug enforcement fund (special revenue fund) has a deficit fund balance of \$1,478,000 due to not receiving reimbursement of expenditures. A grant reimbursement from Jackson County, Missouri will cover the deficit.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

The community development governmental grants fund (special revenue fund) has a deficit balance of \$9,518,000 due to not receiving reimbursement of expenditures. Future grant reimbursements from the federal government will cover the deficit.

The STIF Americana hotel fund (debt service fund) has a deficit balance of \$403,000 due to not receiving reimbursement of expenditures. Future economic activity taxes will cover the deficit.

The STIF HOK sport garage fund (debt service fund) has a deficit balance of \$405,000 due to not receiving reimbursement of expenditures. Future economic activity taxes will cover the deficit.

(14) Endowments

The Liberty Memorial Endowment Fund was established in fiscal year 2001 to account for a voter-approved sales tax dedicated to the restoration, expansion, and maintenance of the Liberty Memorial and Museum. The original sales tax was divided between funds to be used for the restoration of the Memorial Fountain and funds set aside for a capital maintenance endowment. The sales tax generated \$15,687,734 for the endowment. During fiscal years 2001 and 2002, the investment earnings were dedicated to capital maintenance of the memorial. During fiscal year 2003, the City Council passed an ordinance that allowed for up to 45% of the annual investment earnings to be used for routine maintenance and upkeep, and 55% would continue to be available for capital maintenance.

State law authorized the City to impose and spend the sales tax pursuant to the restrictions imposed by the local ordinance and approved by voter authorization.

The endowment principal is reported as restricted net assets –nonexpendable in the statement of net assets.

On April 30, 2008, there is \$905,000 of net appreciation on investments and additional contributions that are available for expenditure. The change in net appreciation on investments available for expenditure during fiscal year 2008 is shown below (in thousands).

	April 30, 2007 balance	Additions	Reductions	April 30, 2008 balance
\$	—	1,185	293	892

(15) Subsequent Events

(a) Reappropriation of Fund Balance

On April 17, 2008, the City Council passed Committee Substitute for Ordinance No. 080343 and on April 24, 2008, the Council passed Ordinance No. 080433. These ordinances authorized certain unencumbered and unexpended appropriations from fiscal year 2008 to be reappropriated to fiscal year 2009 in the Capital Improvements Sales Tax Fund and the Arterial Street Impact Fee Fund. These amounts are recorded as designations of fund balance in the City's financial statements (wherever an unreserved undesignated fund balance allowed) for each of the respective funds.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

These reappropriations are summarized in the following table (in thousands):

Major governmental fund:		
Capital Improvements Fund	\$	147,414
Nonmajor governmental fund:		
Arterial Street Impact Fee Fund		<u>9,132</u>
Total governmental funds	\$	<u>156,546</u>

(b) *Debt Issuances*

Refunding of Tax-Exempt Weekly Floaters

Sprint Center, Series 2008C

On July 29, 2008, the City issued \$204.5 million of its Special Obligation Refunding Bonds (Downtown Arena Project), Series 2008C (the Series 2008C Bonds). The proceeds of the Series 2008C Bonds, along with other available funds of the City, were used to refund the \$210.2 million Industrial Development Authority of the City of Kansas City, Missouri (Kansas City Downtown Arena Project), Series 2005C and Series 2006E Bonds (the Refunded Bonds). The interest rate of the Refunded Bonds was reset weekly through the efforts of the remarketing agent. The Refunded Bonds were secured by a AAA-rated bond insurance policy provided by Ambac and liquidity was provided through a standby bond purchase agreement provided by Dexia (the Dexia SBPA). Due to the financial deterioration of Ambac and subsequent credit ratings downgrades (Aa3 negative outlook, AA negative credit watch, and ratings withdrawn by Moody's, S&P, and Fitch, respectively, as of July 16), the Refunded Bonds were trading at distressed levels. In fact, the investors had tendered a certain amount of bonds to Dexia. The City refunded the Refunded Bonds in order to avoid the accelerated repayment schedules of the Dexia SBPA and to as part of a plan to rebalance the City's debt portfolio and to decrease the City's overall interest rate exposure.

The Series 2008C Bonds have a final maturity of April 1, 2040, like the Refunded Bonds, and have fixed interest rates ranging from 4.00% to 5.50%. Over its term, the Series 2008C Bonds will incur \$220.7 million of interest cost assuming they are not refunded prior to maturity.

The interest rate of the Refunded Bonds was expected to trade in relation to the tax-exempt short-term SIFMA index. However, because of the downgrade and financial difficulties of Ambac, a substantial portion of the bonds was tendered to Dexia and, as of July 16, bore interest at a rate of 5.00%.

Refunding of Taxable Weekly Floaters

Sprint Center, Series 2008D

On July 29, 2008, the City issued \$16.5 million of its Special Obligation Refunding Bonds (Downtown Arena Project), Taxable Series 2008D (the Series 2008D Bonds). The proceeds of the Series 2008D Bonds, along with other available funds of the City, were used to refund the \$18.4 million Industrial Development Authority of the City of Kansas City, Missouri (Kansas City

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Downtown Arena Project), Series 2005D (the Refunded Bonds). The interest rate of the Refunded Bonds was reset weekly through the efforts of the remarketing agent. The Refunded Bonds were secured by a AAA-rated bond insurance policy provided by Ambac and liquidity was provided through a standby bond purchase agreement provided by Dexia (the Dexia SBPA). Due to the financial deterioration of Ambac and subsequent ratings downgrades (Aa3 negative outlook, AA negative credit watch, and ratings withdrawn by Moody's, S&P, and Fitch, respectively, as of July 16), the Refunded Bonds were trading at distressed levels. The City refunded the Refunded Bonds in order to avoid the accelerated repayment schedules of the Dexia SBPA and to as part of a plan to rebalance the City's debt portfolio and to decrease the City's overall interest rate exposure.

The Series 2008D Bonds have a final maturity of April 1, 2040, like the Refunded Bonds, and have interest rates ranging from 6.431% to 7.830%. Over its term, the Series 2008D Bonds will incur \$27.5 million of interest costs assuming these bonds are not refunded prior to maturity.

The interest rate of the Refunded Bonds were expected to trade in relation to the taxable LIBOR index. However, because of the downgrade and financial difficulties of Ambac, a substantial portion of the bonds was tendered to Dexia and, as of July 16, bore interest at a rate of 6.00%.

Refunding of Tax-Exempt Weekly Floaters

Bartle Hall Series 2004A & 2005

The City priced two variable rate transactions on, August 13, 2008. The Series 2008E and 2008F bonds were sold to refund the KCMAC Series 2004A and Series 2005 bonds, respectively, which were tied to the Bartle Hall project. Liquidity on the Series 2004A and 2005 bonds was provided by Dexia and bond insurance was provided by Ambac. The rating actions taken against Ambac in the past several months severely impacted the trading spreads of the Series 2004A and 2005 bonds, as compared to the benchmark SIFMA index. Negative spreads to the City averaged 2.48% since the first week of January 2008 and reached as high as 6.45% in late June 2008.

Proceeds from the sale of the \$81,400,000 Series 2008E bonds were used to refund the KCMAC Series 2004A bonds. The Series 2008E bonds are backed by a letter of credit from Bank of America. Long-term and short-term ratings on the Series 2008E bonds are AA+/A1+ from Standard and Poor's, AA-/F1+ from Fitch, and Aaa/VMIG 1 from Moody's. These ratings are based on the credit strength and liquidity capabilities of Bank of America. The initial bond rate was set at 1.65%. As a comparison, the last reset rate on the Series 2004A bonds was a 6.50%. In conjunction with the pricing of the Series 2008E bonds, the City also repriced an interest rate swap tied to the bonds. The revised swap rate is 3.677%.

Dexia provided the letter of credit for the Series 2008F bonds. Ratings on the Series 2008F bonds based on the Dexia letter of credit are AA+/A1+ from Standard and Poor's, AA+/F1+ from Fitch, and Aa1/VMIG 1 from Moody's. The Series 2008F bonds were issued in the amount of \$20,865,000 for the purpose of refunding the KCMAC Series 2005 bonds. The initial bond rate was also a 1.65%. As with the Series 2008E bonds, the Series 2008F bonds also had an interest rate swap tied to them. The swap was repriced at a 3.667% rate.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Airport Refunding

In September 2008, the City issued its General Improvement Airport Refunding Bonds, Series 2008A. A total of \$28,580,000 of the Series 2008A bond issue was used to currently refund \$29,495,000 principal amount of Series 1997A. The interest rates on the refunding bonds range from 4.0% to 5.0%. The interest rates on the refunded bonds range from 5.3% to 5.5%. The net proceeds of \$29,803,445 (after allocation of \$250,385 to the cost of issuance fund, payment of \$92,885 for underwriter discount, deposit of \$2,858,000 to the debt service reserve account, receipt of original reoffering premium in the amount of \$1,475,215, and receipt of \$2,949,500 for the Series 1997A debt service reserve account) were used to pay the principal amount, redemption price, and interest thereon on September 4, 2008. As a result, the 1997A Series bonds are considered in-substance defeased and the liability for those bonds has been removed from the financial statements.

The City completed the current refunding, which caused the debt service to have a difference of \$2,232,203 over the next seven years. The refunding obtained an economic gain of \$1,916,889. The defeased bonds' outstanding balance was \$29,495,000 at the time the refunding bonds were issued.

(c) Bond Insurers

Most of the City's debt, whether issued as fixed rate bonds or variable rate demand bonds, were initially credit-enhanced and ultimately secured by then AAA-rated bond insurers, namely: Ambac Assurance Corporation (Ambac), Financial Security Assurance Incorporation (FSA), MBIA Insurance Corporation (MBIA), Financial Guarantee Insurance Company (FGIC), Assured Guaranty and Syncora Guarantee (formerly XL Capital). Due to the financial deterioration of these companies, except for FSA and Assured Guaranty, their credit ratings have either been downgraded or withdrawn by Moody's, Standard and Poor's and Fitch. While FSA and Assured Guaranty have not been downgraded as of October 31, 2008, both companies are on review for a possible downgrade by Moody's and FSA is on a negative Credit Watch by Standard and Poor's.

The interest rates on the City's fixed rate debt have not been affected by these rating actions. However, the rating actions taken against bond insurers have impacted the trading spreads of the City's variable rate demand bonds, as compared to the benchmark tax-exempt SIFMA and taxable LIBOR indices. Additionally, investors began tendering bonds (Bank Bonds) to the liquidity providers forcing the City to pay Bank Rates, which in some instances are higher than Bond Rates. In some cases, liquidity providers' bank fees also increased due to the credit rating downgrades of the bond insurers. All of these factors have increased the City's overall debt service payments on its variable rate demand bonds.

(d) Other

On December 20, 2007, the City entered into a \$47.1 million interest rate swap with Lehman Brothers Special Financing Inc. (LBSF) whereby the City pays to LBSF a fixed rate of 3.287% and LBSF pays the City 68% of one-month LIBOR. Furthermore, Lehman Brothers Holdings Inc. (Holdings), the parent of LBSF, provided a guarantee of LBSF obligations under the terms of the LBSF swap with the City. The Holdings and LBSF filed for Chapter 11 bankruptcy on September 15, 2008 and October 3, 2008 respectively. Under the terms of the swap agreement, this filing represents an Event of Default. Pursuant to the terms of the contract, the City now has the

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

right, but not the obligation, to terminate the swap. The City has notified LBSF that LBSF is now in default and that the City reserves all its rights as defined in the contract.

On October 16, 2008, the City Council passed Ordinance No 081030. This Ordinance authorizes the termination of the swap with LBSF. The Ordinance also authorizes the entry of a substitute and replacement swap agreement upon the approval of the Director of Finance in accordance with the City's swap policy. Management expects to pay a termination fee when the swap is terminated, but at this time cannot estimate the amount.

(e) *Market Conditions*

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and short term liquidity associated with certain investments held by the Employees' Retirement System, the Firefighters' Pension Plan, the Police Retirement System, and the Civilian Employees' Retirement System, which has impacted the value of investments after the date of these financial statements. The market value of the Employees' Retirement Plan assets, Firefighters' Pension Plan assets, Police Retirement Plan assets, and Civilian Employees' Retirement Plan assets declined by approximately \$174 million, \$71 million, \$97 million, and \$12 million, respectively, through September 30, 2008, which could ultimately effect the funded status of the Plans. The ultimate impact on the funded status will be determined based upon market conditions in effect when the annual valuation is performed. While it is unknown at this time, the future respective net pension obligations and pension costs recorded by the City and the Police Department could be negatively impacted by the current market conditions.

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(16) Pledged Revenues

As previously described in note 1(c), the City adopted GASB Statement No. 48. This statement requires disclosures pertaining to future revenues that have been pledged or sold. The City has pledged specific revenue streams to secure the repayment of certain outstanding debt issues. The following table lists those revenues and the corresponding debt issue along with the purpose of the debt, the amount and term of the pledge remaining, the current fiscal year principal and interest on the debt, the amount of pledged revenue recognized during the current fiscal year and the approximate percentage of the revenue stream that has been committed if estimable (in thousands):

Issue	Type revenue pledged	Amount of revenue pledged	General purpose for debt	Term of commitment	% of revenue pledged	Principal and interest for the year ended April 30, 2008	Recognized for the year ended April 30, 2008
KCMAC (Bartle Hall/Municipal Auditorium/Music Hall Projects (KCMAC 1990B-1, 1991B, 2004A, 2004B-1, 2004B-3, 2005, 2006A	Hotel/Motel and restaurant taxes	\$ 614,686,760	To finance construction, expansion and refurbishment of the Bartle Hall Complex	Through 2026	*	\$ 18,552,138	\$ 38,636,653
KCMAC (KCMAC) 1998B	Future leasehold revenue payment	4245,000	To fund Truman Medical Center	Through 2012	100	848,495	848,495
KCMAC (KCMAC 2001B-1 and 2003C)	Future sales tax generated with the Zona Rosa Transportation Development District	20,117,415	To finance Zona Rosa	Through 2021	75-100	1,331,955	2,223,668
KCMAC (Prospect North Project) (KCMAC 2001B-1) and Fairland	TIF revenues, payment in lieu of taxes and certain economic activity taxes generated with the Prospect North TIF plan	15,673,702	To finance development of the Prospect North TIF plan	Through 2021	100	955,071	—
KCMAC (Refunding 1994B portion) (KCMAC 2003C)	Vehicle license fees	7,443,893	To finance construction and renovation of community centers	Through 2012	75-100	1,838,756	3,548,098
KCMAC (Tow Lot Project) (KCMAC 2004B-2)	Operating revenue of the tow lot	7,568,653	To finance the acquisition and construction of a tow lot	Through 2024	75-100	373,326	4,446,195

* Not currently estimable

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Issue	Type revenue pledged	Amount of revenue pledged	General purpose for debt	Term of commitment	% of revenue pledged	Principal and interest for the year ended April 30, 2008	Recognized for the year ended April 30, 2008
KCMAC and LCRA (Auditorium Plaza Garage Project) (KCMAC 2006A Issuance Auditorium Plaza Garage Portion, and LCRA Series 2005-E Auditorium Plaza Garage Portion)	Operating revenue of the Auditorium Plaza Garage	\$ 8,608,975	To finance Auditorium Plaza Garage	Through 2020	75-100%	\$ 591,475	\$ 1,002,471
LCRA (Mast Facility Project) (LCRA 1996A)	Revenues derived from the General fund and rental payments from MAST	5,408,057	To finance construction, expansion and refurbishment of the MAST project	Through 2016	1-3	669,078	48,878,000
MDFB Loan (Harley Davidson Project) (MDFB Loan 1997)	Future economic activity tax revenues	590,700	To finance the City infrastructure for the construction of a Harley Davidson Factory	Through 2012	75-100	166,112	185,222
MDFB Taxable Infrastructure (Valentine Shopping Center) (Series 1998)	Net operating income from rental properties and excess TIP from Uptown theater	3,362,045	To finance Valentine Shopping Center project	Through 2018	100	340,260	340,260
IDA Taxable Leasehold Revenue Bonds (Century Towers) (2001)	Rents of the building	21,508,396	To finance Century Towers redevelopment project	Through 2022	100	1,612,294	1,612,294
TIFC VRDO Refunding and Improvement Revenue Bonds (TIFC Series 2003A (Tax-Exempt) and 2003B (Taxable))	100% of PILOTS and 50% of EATS	18,209,275	To finance I-35 and Chouteau Project	Through 2024	75-100	1,056,000	2,362,902
TIFC Improvement Revenue Bonds (TIFC Series 2004)	A portion of Future Pilots and Economic Activity tax	25,715,325	To finance the construction of the Blue Parkway business district	Through 2028	75-100	742,350	1,671,501

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Issue	Type revenue pledged	Amount of revenue pledged	General purpose for debt	Term of commitment	% of revenue pledged	Principal and interest for the year ended April 30, 2008	Recognized for the year ended April 30, 2008
TIFC VRDO Improvement Revenue Bonds (TIFC Series 2005 Issuance)	A portion of future tax revenues and parking revenues	\$ 12,023,250	To Construct and equip parking garage	Through 2024	75-100%	\$ 556,000	\$ 277,297
TIFC VRDO Improvement Revenue Bonds (TIFC Taxable Series 2004)	A portion of future tax revenues and parking revenues	30,997,000	To finance the refurbishing of the President Hotel	Through 2028	100	1,265,000	1,005,000
IDA VRDO Improvement Revenue Bonds (IDA Series 2005A, 2005B, 2006A, and 2006B)	Future tax revenue generated by increased retail sales in the district	561,957,320	To finance KC Live Project	Through 2033	75-100	11,151,429	22,797,669
IDA VRDO Improvement Revenue Bonds (IDA Series 2005C, 2005D, and 2006E)	Future car rental and hotel fees	474,403,130	To finance the building of a downtown arena	Through 2040	*	11,808,000	15,101,000
LCRA Leasehold Revenue Refunding Bonds (LCRA 2003E)	Certain economic activity and pilots under a LCRA Super TIP agreement	31,986,500	To finance the Muehlebach Hotel Project	Through 2018	*	3,284,450	3,309,000
PIEA Taxable Industrial Revenue Bonds (2005)	Neighborhood Development District Special Assessments and TIP revenues	11,257,374	To finance the 300 Wyandotte Parking Garage Project	Through 2025	*	657,192	286,000
IDA Refunding and Improvement Revenue Bonds (2006E)	Certain TIF revenues		To finance the Civic Mall Refunding and Cherry Street Inn demolition project	Through 2015	*	729,363	1,280,000
IDA Refunding Revenue Bonds (MDFB Series 1998) (2007A)	TIF/STIF revenues associated with the redevelopment areas	3,547,019	To finance the Uptown theater project	Through 2017	*	356,956	383,000
IDA Refunding Revenue Bonds (MDFB Series 2000A) (2007A)	TIF/STIF revenues associated with the redevelopment areas	55,362,806	To finance the Midtown Retail District project	Through 2017	*	3,654,394	5,203,000

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

Issue	Type revenue pledged	Amount of revenue pledged	General purpose for debt	Term of commitment	% of revenue pledged	Principal and interest for the year ended April 30, 2008	Recognized for the year ended April 30, 2008
Water Revenue Bonds and Capital Lease Agreements (1996A, 1996B, 1998A, 1998B, 2000A, 2002C, 2004D, 2005F, Water Lab Equipment, Automated Meter Reader)	Revenues derived from the Water fund	\$ 267,249,219	To finance improvements to the water systems and facilities, to cover installation of automated meter reading system and lab equipment	Through 2025	52-55%	\$ 19,906,343	\$ 25,843,853
Sewer and Stormwater Revenue Bond (1992B, 1995A, 1996A, 1997A, 1998A, 2000A, 2000B)	Revenues of the sewer and stormwater funds	256,622,004	To finance improvements to sewer system and facilities	Through 2032	36-40	14,986,198	30,023,913
General Improvement Airport Revenue Bonds (1997A, 1999A, 2003A, 2003B, 2004E, 2005H)	Revenues from airport operations	277,909,291	To fund all or portions of the costs on constructing and rehabilitating airport facilities	Through 2028	15-20	18,258,715	43,769,000
Consolidated Rental Car Facility Bonds (2005C)	Revenues from airport operations	73,734,887	To fund the costs of constructing a consolidated rental car facility	Through 2021	43-45	5,827,910	43,769,000
Passenger Facility Charge Revenue Bonds 2001	PFC revenues generated from the operation of the airport	180,378,500	To fund a portion of the cost of constructing and rehabilitating the airport terminals	Through 2026	5-10	10,205,000	23,822,136
Special Facility Revenue Bond Series 2005G	Lease and sales tax revenues of the fund	50,000,000	To fund a portion of the costs incurred in connection with the repair, improvement and rehabilitation of the aircraft maintenance and overhaul base.	Through 2030	35-40	1,960,475	4,965,740

CITY OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

April 30, 2008

(17) Restatements

During the fiscal year ended April 30, 2008, the City identified the following errors reported in prior years' financial statements:

- (a) Certain outlays made during fiscal years 2005 through 2007 associated with two capital projects, Downtown Arena and KC Live Entertainment District, that should have been reported as capital assets were instead reported as expenses in the respective fiscal year incurred. Additionally, land contributed to the City in fiscal years 2005 and 2007 from the TIF Commission for the KC Live Entertainment District was not recognized in the financial statements. To correct this error, net assets of the governmental activities as of May 1, 2007 have been restated by \$167,181,000. This adjustment comprises an increase in construction in progress of \$142,669,000 an increase in buildings and improvements of \$24,822,000 and an increase in accumulated depreciation—buildings and improvements of \$310,000 reported in governmental activities as of May 1, 2007. The change in net assets for governmental activities reported in the 2007 financial statements was understated by \$87,022,000 as a result of this error.
- (b) Fountains, statues and monuments which had been accounted for previously as nondepreciable works of art should have been accounted for as exhaustible capital assets and been depreciated over an estimated useful life. To correct this error, \$92,684,000 of nondepreciable capital assets reported in governmental activities as of May 1, 2007 have been reclassified to depreciable capital assets, and net assets of the governmental activities as of May 1, 2007 have been restated by \$20,600,000 reflecting retrospective accumulated depreciation. The change in net assets for governmental activities reported in the 2007 financial statements was overstated by \$2,469,000 as a result of this error.

Net assets of the governmental activities as of May 1, 2007 has been restated to correct the aforementioned errors as follows (in thousands):

	Amount as previously reported	Item A	Item B	Amount as restated
\$	2,604,777	167,181	(20,600)	2,751,358

The aggregate impact of the aforementioned errors on the change in net assets of the governmental activities reported in the 2007 financial statements is as follows (in thousands):

	Amount reported	Item A	Item B	Corrected amount
\$	22,493	87,022	(2,469)	107,046

**Required
Supplementary
Information**

CITY OF KANSAS CITY, MISSOURI
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
Budgetary Basis
Year ended April 30, 2008
(In thousands of dollars)

	Budgeted amounts		Actual	Variance with final budget – over (under)
	Original	Final		
Taxes:				
General property:				
Real property	\$ 36,189	37,165	35,156	(2,009)
Personal property	8,717	8,717	10,130	1,413
Financial institution	5,094	5,094	5,699	605
Penalties and interest on delinquent taxes	500	500	707	207
Total general property	50,500	51,476	51,692	216
Earnings and profits	199,250	199,250	201,252	2,002
Local use tax	24,100	24,100	24,841	741
Hotel/motel tax	450	450	424	(26)
Cigarette	3,400	3,400	3,059	(341)
Total taxes	277,700	278,676	281,268	2,592
Licenses, permits, and franchises:				
Utility franchises	69,860	72,050	91,225	19,175
For street use	1,560	1,710	1,221	(489)
For business purposes – business, professional, and occupational	23,550	23,550	21,541	(2,009)
Other	524	524	424	(100)
Total licenses, permits, and franchises	95,494	97,834	114,411	16,577
Fines and forfeitures	20,293	20,293	16,269	(4,024)
Rents and concessions:				
American royal center	311	311	28	(283)
Other	1,052	1,093	892	(201)
Total rents and concessions	1,363	1,404	920	(484)
Investment income and interest	2,990	2,990	1,170	(1,820)
Charges for services:				
General government	18,364	18,502	17,348	(1,154)
Culture and recreation	10	10	9	(1)
Public safety	20,314	20,314	17,061	(3,253)
Health	5	5	4	(1)
Total charges for services	38,693	38,831	34,422	(4,409)
Intergovernmental revenues:				
Grants and reimbursements	3,402	10,174	7,369	(2,805)
Total intergovernmental revenues	3,402	10,174	7,369	(2,805)
Special assessments	289	550	74	(476)
Other	2,057	6,112	6,088	(24)
Total revenues	442,281	456,864	461,991	5,127
Other financing sources:				
Operating transfers in	1,109	1,309	1,777	468
Total revenues and other financing sources	\$ 443,390	458,173	463,768	5,595

CITY OF KANSAS CITY, MISSOURI
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund

Budgetary Basis

Year ended April 30, 2008

(In thousands of dollars)

	Budgeted amounts		Actual	Variance with final budget - over (under)
	Original	Final		
Current - general government:				
Mayor	\$ 1,306	1,257	1,231	(26)
City council	2,338	2,336	2,214	(122)
City clerk	775	765	686	(79)
City auditor	1,369	1,369	1,325	(44)
General service	17,522	16,400	15,672	(728)
Board of election commissioners	1,644	2,344	2,323	(21)
City manager	13,149	13,165	12,569	(596)
Municipal court	8,219	8,235	8,159	(76)
	<u>46,322</u>	<u>45,871</u>	<u>44,179</u>	<u>(1,692)</u>
Finance department:				
Director's office	574	500	499	(1)
Financial analyst unit	72	72	52	(20)
Accounts	2,706	2,502	2,454	(48)
Revenue	5,419	5,298	5,297	(1)
Purchasing	26	27	27	—
Treasury	1,686	1,843	1,842	(1)
Other	4,099	4,083	3,997	(86)
Total finance department	<u>14,582</u>	<u>14,325</u>	<u>14,168</u>	<u>(157)</u>
Law department	3,995	4,254	4,254	—
Human resources department	4,348	4,322	4,296	(26)
Contingent appropriation	5,650	—	—	—
Technology and information support	18,159	17,573	17,058	(515)
Human relations department	8	8	2	(6)
City development department	19,396	22,648	20,310	(2,338)
Total general government	<u>112,460</u>	<u>109,001</u>	<u>104,267</u>	<u>(4,734)</u>
Fire	78,933	80,929	82,383	1,454
Public works	28,108	26,928	26,578	(350)
Neighborhood development	21,754	23,295	22,027	(1,268)
Culture and recreation	12,659	10,700	10,698	(2)
Convention facilities	311	353	283	(70)
Police	173,354	176,350	176,325	(25)
Operating transfers out to other funds	34,753	44,771	43,427	(1,344)
Total expenditures and transfers out	<u>\$ 462,332</u>	<u>472,327</u>	<u>465,988</u>	<u>(6,339)</u>

CITY OF KANSAS CITY, MISSOURI
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
Budgetary Basis

Year ended April 30, 2008
(In thousands of dollars)

	Budget		Actual	Variance with final budget – over (under)
	Original	Final		
Revenues and operating transfers in	\$ 443,390	458,173	463,768	5,595
Expenditures and operating transfers out	462,332	472,327	465,988	6,339
Deficiency of revenues and other financing sources under expenditures and other financing uses	(18,942)	(14,154)	(2,220)	11,934
Current year expenditures relating to prior year budget	—	—	6,946	6,946
Revenues and other financing sources over (under) expenditures and other financing sources (uses) relating to prior year budget	\$ (18,942)	(14,154)	4,726	18,880
Unreserved fund balance (budget basis):				
Beginning of year			22,807	
End of year			\$ 27,533	

See accompanying independent auditors' report.

CITY OF KANSAS CITY, MISSOURI
Required Supplementary Information (Unaudited)
Notes to Budgetary Comparison Schedule
April 30, 2008

Budgetary Process

The reported budgetary data represent the final approved budget after amendments as adopted by the City Council. Amendments to the original budget were not material, and unencumbered appropriations lapse at year-end. Encumbered appropriations at year-end are carried forward into the following year for final disposition. These procedures are followed in establishing the budget:

1. Prior to March 1, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following May 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to May 1, the budget is legally enacted through passage of an ordinance.

Financial Statement Presentation – Budget Basis

The City prepares legally adopted annual operating budgets for the general fund, debt service funds (which include general debt and interest, KCMAC Convention and Sports Complex, KC Downtown Redevelopment Dist, N.I.D. GO Bond, STIF – Americana Hotel, STIF – 12th and Wyandotte, STIF – Midtown, STIF – Uptown, STIF – Tower 909 Walnut, STIF – Hotel President, STIF – Brush Cr/Blue Pkwy/Town Ctr, STIF – HOK Sport Garage, streetlight debt, Downtown Arena Debt, and Sewer Special Assessment), special revenue funds (which include museum, motor fuel tax, trafficway maintenance, public mass transportation, infrastructure and maintenance, park maintenance, boulevard maintenance, golf and tennis, Kemper – Butler garage, 11th and Oak garage, fire sales tax, public safety sales tax, KCATA sales tax, hazardous materials, health levy, police drug enforcement, neighborhood tourist development, convention and tourism, community centers, zoo, local option use tax, Hodge Park, domestic violence, special housing rehabilitation, housing opportunity for persons with AIDS, HUD lead-based paint grant, governmental grants, inmate security, arterial street impact fee, Ryan White HIV/AIDS, TIF special allocation, STIF – Pershing Rd IRS, STIF – Hotel Phillips, STIF – Savoy Bar and Grill, and STIF – Union Hill), and capital projects funds (general capital improvements, Liberty Memorial project), and permanent fund (Liberty Memorial Endowment). The City also prepares annual operating budgets for the enterprise funds and internal service funds; however, there is no legal requirement to report on these budgets. Therefore, the Supplementary Information – Combining and Individual Fund Statements and Schedules section of the CAFR includes a comparison of budget to actual only for the budgeted governmental funds.

The City's policy is to prepare the governmental fund types' annual budgets on a cash basis, which is modified to include encumbrances as the equivalent of expenditures. The legal level of budgetary control is at the City Department level.

Unencumbered balances appropriated for one purpose may be transferred to another purpose within a department with approval of the budget officer, Director of Finance, and the City Manager. Transfers of unencumbered balances appropriated for one department to any other department must be authorized by City Council's ordinance. Unencumbered appropriations lapse at the end of the fiscal year.

CITY OF KANSAS CITY, MISSOURI
Required Supplementary Information (Unaudited)
Notes to Budgetary Comparison Schedule
April 30, 2008

Project budgets are adopted in the governmental grant funds, certain capital projects funds, and certain trust and agency funds. Appropriations remain open and carry over to succeeding years.

Budgeting and Budgetary Control

The accounting principles employed by the City in its budgetary accounting and reporting system are designed to enhance budgetary control. Certain of these principles differ from those used to present financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The significant differences are the exclusion of accrued and deferred revenues and accrued expenditures from the budgetary-basis statement.

Following is a reconciliation of these differences for the year ended April 30, 2008 (in thousands):

	<u>General fund</u>
Revenues and other financing sources over expenditures and other financing sources (uses) relating to prior year budget – budgetary basis	\$ 4,726
Adjustments:	
To record accrual and deferral of revenues	18,611
To record accrual of expenditures	<u>(14,126)</u>
Net change in fund balance – GAAP basis	\$ <u>9,211</u>

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the funds. Other commitments include encumbrances that have been established for future planned expenditures where the purpose is known but a specific contract with a vendor has not yet been finalized.

CITY OF KANSAS CITY, MISSOURI
Required Supplementary Information (Unaudited)
Schedules of Funding Progress
Year ended April 30, 2008
(In thousands)

Pension Systems						
Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability (AAL) entry age	(b)-(a) Unfunded AAL (UAAL)	(a)/(b) Funded ratio	(c) Covered payroll	[(b)-(a)]/(c) UAAL as a percentage of covered payroll
Police Retirement System						
5/1/05	\$ 604,561	741,001	136,440	81.59%	\$ 67,576	201.91%
5/1/06	635,622	775,272	139,650	81.99	71,835	194.40
5/1/07	698,079	807,902	109,823	86.41	80,112	137.09
Civilian Employees' Retirement System						
5/1/05	\$ 72,383	97,104	24,721	74.54%	\$ 22,239	111.16%
5/1/06	78,847	105,928	27,081	74.43	23,876	113.42
5/1/07	89,111	110,394	21,283	80.72	25,472	83.55
Employees' Retirement System						
5/1/05	\$ 645,610	781,900	136,290	82.57%	\$ 141,606	96.25%
5/1/06	745,721	800,840	55,119	93.12	146,365	37.66
5/1/07	823,014	847,393	24,379	97.12	158,780	15.35
Firefighters' Pension System						
5/1/05	\$ 332,416	392,856	60,440	84.62%	\$ 45,701	132.25%
5/1/06	381,404	434,033	52,629	87.87	47,022	111.92
5/1/07	412,408	447,939	35,531	92.07	49,421	71.89
Other Post-employment Benefits						
Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability (AAL) entry age	(b)-(a) Unfunded AAL (UAAL)	(a)/(b) Funded ratio	(c) Covered payroll	[(b)-(a)]/(c) UAAL as a percentage of covered payroll
City of Kansas City - Employee/Firefighter Other Post-employment Benefits						
5/1/06	\$ —	150,376	150,376	—%	\$ 193,387	77.76%
Board of Police Commissioners - Police/Civilian Other Post-employment Benefits						
5/1/06	\$ —	31,356	31,356	—%	\$ 92,800	33.79%

See accompanying independent auditors' report

CITY OF KANSAS CITY, MISSOURI

Required Supplementary Information (Unaudited)

Schedules of Condition Assessments and Maintenance Costs

Year ended April 30, 2008

(In thousands)

Condition Assessment

	Percentage in good or better condition		
	2008	2007	2006
Roadway system	69.00%	64.87%	67.00%
Bridges	80.30	79.92	78.39
Street lighting	91.30	92.60	92.40
	Percentage in fair condition		
	2008	2007	2006
Roadway system	9.12%	6.88%	11.00%
Bridges	12.76	13.14	13.49
Street lighting	—	—	—
	Percentage in substandard condition		
	2008	2007	2006
Roadway system	21.88%	28.25%	22.00%
Bridges	6.94	6.94	8.12
Street lighting	8.70	7.40	7.60
	Overall condition level		
	2008	2007	2006
Roadway system	85.97%	87.00%	86.00%
Bridges	76.17	75.97	75.00
Street lighting	91.30	92.60	92.40

CITY OF KANSAS CITY, MISSOURI

Required Supplementary Information (Unaudited)

Schedules of Condition Assessments and Maintenance Costs

Year ended April 30, 2008

(In thousands)

		Estimated and Actual Costs to Maintain				
		2008	2007	2006	2005	2004
Roadway system:						
Estimated	\$	49,533	19,101	26,456	20,561	6,536
Actual		17,323	19,184	25,999	20,921	18,550
Difference	\$	(32,210)	83	(457)	360	12,014
Bridges:						
Estimated	\$	7,711	7,571	7,383	6,500	6,545
Actual		625	550	1,624	3,017	1,122
Difference	\$	(7,086)	(7,021)	(5,759)	(3,483)	(5,423)
Street lighting:						
Estimated	\$	6,791	5,488	3,671	3,590	3,500
Actual		5,003	3,650	3,431	3,374	3,224
Difference	\$	(1,788)	(1,838)	(240)	(216)	(276)

See accompanying independent auditors' report

CITY OF KANSAS CITY, MISSOURI

Required Supplementary Information (Unaudited)

Notes to Schedules of Condition Assessments and Maintenance Costs

Year ended April 30, 2008

(In thousands)

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the City of Kansas City, Missouri (the City) has adopted an alternative process to record depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the City expenses maintenance and preservation costs and does not report depreciation expense.

In order to utilize this approach, the City is required to:

- Maintain an asset management system to include up-to-date inventory of eligible infrastructure assets
- Perform a condition assessment
- Estimate each year the amount to maintain and preserve the assets
- Document that the assets are being preserved approximately at, or above, the established condition level.

Public Works has established a program to evaluate the condition of all roadway systems. The name of the program is the Street Distress Rating System (SDRS). This program rates all segments of roadway systems over a three-year period. The program measures actual physical defects in the roadway systems that can be observed and quantified through visual inspection of the roadway surface. Broad categories include cracking, patching, depression, and surface wear. The system calculates the Pavement Condition Index representing a value ranging from “0” to “100.” The City’s intent is to achieve and retain a systemwide average value of not less than “80.” The value of 80 represents a system that needs repairs and improvements. A rating of “90” to “100” would show an excellent condition, “80” to “89” good condition, “70” to “79” fair condition, and below “70” poor condition.

The condition of bridges is measured using the Federal Highway Administration Rating System. The federal system uses a measurement scale that is based on a condition index ranging from 0 for a failed bridge to 100 for a bridge in perfect condition. The condition index is used to classify bridges and culverts in good or better condition (65 and 75 and up, respectively), fair condition (45 to 65), and substandard condition (less than 45). It is the City’s policy to maintain at least a value of 75 on its bridge system at a good or better condition level. No more than 10% should be in the substandard condition. Condition assessments are determined every other year. All bridges are rated at least once every two years.

The condition of street lighting is measured using a system designed by the City. The system uses a measurement scale that is based on a condition index ranging from 0 for a failed street lighting to 100 for passing each measured factor and measures 16 different factors. The condition index is used to classify street lighting in better condition (90 and up), good condition (80 to 89), and substandard condition (less than 80). It is the City’s policy to maintain at least a value of 90% condition rating for the entire streetlight system. No more than 10% should be below the better condition rating. Condition assessments are determined every year. Street lighting chosen for condition assessments is randomly selected by a private contractor hired to assess and immediately repair all streetlights inspected. The plan is to have 100% of all streetlights inspected, with corresponding repairs, every two years.

APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN FINANCING DOCUMENTS

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX B

DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS

The following is a summary of certain provisions of the Indenture and Financing Agreement relating to the Bonds. This summary does not purport to be complete or comprehensive, and is qualified in its entirety by reference to the Indenture and the Financing Agreement, copies of which are available from the Underwriter.

Definitions of Words and Terms.

For all purposes of the Indenture, except as otherwise provided herein or unless the context otherwise requires, the words and terms used in the Indenture shall have the meanings set forth in the Indenture.

“Additional Payments” means the payments other than Debt Service Payments required to be made pursuant the Indenture.

“Alternate Letter of Credit” means any substitute or replacement letter of credit issued to replace a Letter of Credit to pay the principal of and interest on the Bonds and to purchase any Bonds covered thereby tendered for purchase as provided in the Indenture.

“Appropriated Funds” means any funds appropriated by the City Council to pay the amounts described in the Indenture.

“Authorized Denominations” means (a) with respect to Bonds which are subject to a Long-Term Interest Rate Period or Fixed Interest Rate Period, \$5,000 or any integral multiple thereof, and (b) with respect to Bonds which are not described in the preceding clause (a), \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

“Bond Year” means each one-year period (or shorter period for the first Bond Year) ending March 1.

“Bank Bonds” means any Bonds pledged to the Letter of Credit Provider or its designee as security for the Issuer’s obligations under the Reimbursement Agreement.

“Bank Rate” means the Bank Rate set forth in the Reimbursement Agreement.

“Basic Agreements” means each of the Indenture, the Financing Agreement, the Bonds, the Reimbursement Agreement, the Pledge and Security Agreement and the Remarketing Agreement.

“Beneficial Owner” means any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any Person holding a Bond through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

“Bond Interest Term” means, with respect to any Bond, each period established in accordance with the Indenture during which that Bond bears interest at a Bond Interest Term Rate.

“Bond Interest Term Rate” means, with respect to any Bond, a non-variable interest rate on such Bond established periodically in accordance with the Indenture.

“Bond Purchase Fund” means the fund by that name created by the Indenture, including within such fund the “Remarketing Account,” the “Letter of Credit Purchase Account” and the “Issuer Purchase Account.”

“Bondholder” or **“Holder”** means, as of any time, the registered owner of any Bond as shown in the register kept by the Trustee as bond registrar.

“Bonds” means the Issuer’s Variable Rate Demand Special Obligation Refunding Bonds (Chouteau I-35 Redevelopment Project) Series 2009C Bonds issued under the Indenture in the original aggregate principal amount

of \$6,485,000, and the Issuer's Variable Rate Demand Taxable Special Obligation Refunding Bonds (Chouteau I-35 Redevelopment Project) Series 2009D Bonds issued under the Indenture in the original aggregate principal amount of \$5,760,000 authenticated and delivered under and pursuant to the Indenture, and any bonds issued to refund such Bonds.

"Business Day" means any day other than a Saturday, Sunday or other day on which the New York Stock Exchange is closed or on which banks are authorized or required to be closed in any of the City of Kansas City, Missouri, the City of New York, New York, the city where the Letter of Credit will be honored or any other municipality in which the principal offices of the Trustee are located.

"City Revenues" means all moneys appropriated by the Issuer pursuant to the Indenture.

"Commission" means the Tax Increment Financing Commission of Kansas City, Missouri.

"Conversion" means a conversion of the Bonds from one Interest Rate Period to another Interest Rate Period as provided in the Indenture.

"Conversion Date" means the effective date of a Conversion of the Bonds.

"Costs of Issuance" means issuance costs and expenses with respect to the Bonds that are permitted to be paid out of proceeds of the Bonds, including but not limited to the following:

- (a) underwriters' spread (whether realized directly or derived through purchase of Bonds at a discount below the price at which they are expected to be sold to the public);
- (b) counsel fees (including Co-Bond Counsel, underwriter's counsel, disclosure counsel, swap counsel, as well as any other specialized counsel fees incurred in connection with the borrowing);
- (c) initial fees of the Letter of Credit Provider and the Letter of Credit Provider's counsel and financial advisor fees of any financial advisor to the Issuer incurred in connection with the issuance of the Bonds;
- (d) Rating Agency fees;
- (e) trustee, escrow agent and paying agent fees;
- (f) accountant fees and other expenses related to issuance of the Bonds;
- (g) printing costs (for the Bonds and of any official statement relating to the Bonds); and
- (h) fees and expenses of the Issuer incurred in connection with the issuance of the Bonds.

"Costs of Issuance Account" means the account by that name in the Project Fund created by the Indenture.

"Debt Service Fund" means the fund by that name created by the Indenture, including within such fund the "Eligible Moneys Account," the "Non-Eligible Moneys Account," the "Letter of Credit Account," the "Swap Account" and the "Redemption Account."

"Debt Service Payments" means any payment of principal, redemption premium, if any, and interest on the Bonds.

"Default" means any Event of Default or any event or condition which, with the passage of time or giving of notice or both, would constitute an Event of Default.

“Defeasance Obligations” means:

- (a) Cash.
- (b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series-SLGs).
- (c) Direct obligations of the U.S. Treasury.
- (d) Resolution Funding Corp. (REFCORP). Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form are acceptable.
- (e) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:
 - (1) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership.
 - (2) Farmers Home Administration (FmHA)
Certificates of beneficial ownership.
 - (3) Federal Financing Bank
 - (4) General Services Administration
Participation certificates.
 - (5) U.S. Maritime Administration
Guaranteed Title XI financing.
 - (6) U.S. Department of Housing and Urban Development (HUD)
Project Notes.
Local Commission Notes.
New Communities Debentures-U.S. government guaranteed debentures.
U.S. Public Housing Notes and Bonds-U.S. government guaranteed public housing notes and bonds.

“Early Termination Payment” means, with respect to a Qualified Swap Agreement, any payment obligation of the Issuer thereunder due upon the early termination of any transaction governed by such Qualified Swap Agreement.

“Economic Activity Tax Revenues” means an amount equal to fifty percent (50%) of the total additional revenue from taxes which are imposed by the Issuer and other taxing districts, and which are generated by economic activities within the Redevelopment Project Area over the amount of such taxes generated by economic activities within the Redevelopment Project Area in the calendar year prior to the adoption of the Redevelopment Project by ordinance (2000), while tax increment financing remains in effect, but excluding (a) personal property taxes, (b) taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, (c) taxes levied pursuant to Section 70.500 of the Revised Statutes of Missouri, (d) taxes levied for the purpose of public transportation pursuant to Section 94.660 of the Revised Statutes of Missouri, (e) licenses and (f) fees or special assessments other than payments in lieu of taxes and any penalty and interest thereon.

“Electronic Notice” means notice given by facsimile transmission or by telephone (promptly confirmed in writing).

“Eligible Account” means an account that is either maintained (1) with a federal or state-chartered depository institution or trust company that has a short-term debt rating of at least ‘A-2’ by S&P (or if not short-term rating, a long-term rating of ‘BBB+’ by S&P) or (b) maintained with the corporate trust department of a federal depository institution or state chartered depository institution, which, in either case, has corporate trust powers and is acting in its fiduciary capacity. In the event that an account required to be an “Eligible Account” no longer complies with the requirement, the Trustee should promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

“Eligible Moneys” means:

- (a) during any period the Letter of Credit is in effect, any of the following moneys that, until applied, are held in a separate and segregated account under the Indenture in which only Eligible Moneys are held:
 - (1) proceeds of the Bonds received from the original issuance and sale of the Bonds;
 - (2) proceeds from the remarketing of any Bonds tendered for purchase pursuant to the Indenture and purchased by any Person other than the Issuer (or any “insider,” as defined in the United States Bankruptcy Code, of the Issuer);
 - (3) moneys drawn on the Letter of Credit that are applied directly to the payment of principal or Tender Price of, or premium, if any, or interest on the Bonds;
 - (4) moneys that have been continuously on deposit with the Trustee in a separate and segregated account in the Revenue Fund for a period of at least 123 days during which no petition in bankruptcy (or other bankruptcy or similar proceedings) is pending or has been filed by or against the Issuer (or any “insider,” as defined in the United States Bankruptcy Code, of the Issuer) under the United States Bankruptcy Code, as now or hereafter in effect, or other applicable state or federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect;
 - (5) any other moneys or securities, if there is delivered to the Trustee an opinion of Counsel from legal counsel having expertise in bankruptcy matters (who, for purposes of such opinion, may assume that no Bondholder is an “insider,” as defined in the United States Bankruptcy Code) to the effect that the use of such moneys or securities to pay the principal or Tender Price of, or premium, if any, or interest on the Bonds would not constitute a voidable preferential payment in the event of the occurrence of the filing of a petition in bankruptcy (or other commencement of bankruptcy or similar proceedings) by or against the Issuer (or any “insider,” as defined in the United States Bankruptcy Code, of the Issuer) under the United States Bankruptcy Code, or other applicable state or federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect; and
 - (6) earnings derived from the investment of any of the foregoing;

provided that such proceeds, moneys or income shall not be deemed to be Eligible Moneys or available for payment of the Bonds if, among other things, an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment; and

- (b) during any period a Letter of Credit is not in effect, any moneys held by the Trustee in any fund or account under the Indenture and available, pursuant to the provisions hereof, to be used to pay principal or Tender Price of, or premium, if any, or interest on, the Bonds.

“Event of Nonappropriation” means failure of the Issuer to budget and appropriate on or before the last day of any Fiscal Year, moneys sufficient to pay the Debt Service Payments and reasonably expected Additional Payments due and payable during the next Fiscal Year.

“Expiration Date” means the stated expiration date of the Letter of Credit or an Alternate Letter of Credit, as extended from time to time.

“Favorable Opinion of Co-Bond Counsel” means, with respect to any action relating to the Bonds, the occurrence of which requires such an opinion, a written legal opinion of Co-Bond Counsel addressed to the Trustee, the Issuer, the Letter of Credit Provider and the Remarketing Agent, to the effect that such action is permitted under the Indenture.

“Financing Agreement” means the Financing Agreement, dated as of April 1, 2009, by and between the Issuer and the Commission.

“Financing Documents” means the Indenture, the Bonds, the Financing Agreement, the Reimbursement Agreement, the Pledge and Security Agreement, the Purchase Contract, the Remarketing Agreement, any Qualified Swap Agreement, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing; provided, however, that when the words “Financing Documents” are used in the context of the authorization, execution, delivery, approval or performance of Financing Documents by a particular party, the same shall mean only those Financing Documents that provide for or contemplate authorization, execution, delivery, approval or performance by such party.

“Fiscal Year” means the 12-month period used by the Issuer for its general accounting purposes, as it may be changed from time to time. The Fiscal Year at the time the Indenture was executed begins on May 1 and ends on April 30 of the immediately following calendar year.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer by notice to the Trustee.

“Fixed Rate Conversion Date” means a date upon which the Issuer has directed that the Bonds or any portion thereof be converted to a Fixed Interest Rate.

“Floating Rate Bonds” means the Bonds (until the Fixed Rate Conversion Date for the Bonds).

“Floating Rate Period” means each period during which a variable interest rate is in effect for the Bonds.

“Fund” means the Costs of Issuance Fund, the Debt Service Fund, the Revenue Fund, the Refunding Fund, the Bond Purchase Fund and the Collateral Fund.

“Indenture” means the Indenture of Trust, dated as of April 1, 2009, as from time to time amended by Supplemental Indentures in accordance with the provisions of the Indenture.

“Interest Accrual Date” with respect to the Bonds means:

- (a) for any Weekly Interest Rate Period, the first day thereof and thereafter the first day of each calendar month during such Weekly Interest Rate Period;
- (b) for any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each month;
- (c) for any Long-Term Interest Rate Period or any Fixed Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date during that Long-Term Interest Rate Period, other than the last such Interest Payment Date; and
- (d) for each Bond Interest Term within a Short-Term Interest Rate Period, the first day thereof.

“Interest Payment Date” means:

- (a) for any Weekly Interest Rate Period, the first day of each calendar month;
- (b) for any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each month;

(c) for any Long-Term Interest Rate Period or any Fixed Interest Rate Period, each March 1 and September 1, or if any March 1 or September 1 is not a Business Day, the next succeeding Business Day;

(d) for any Bond Interest Term, the day next succeeding the last day of that Bond Interest Term; and

(e) for each Short-Term Interest Rate Period, the day next succeeding the last day thereof.

“Interest Rate Period” means each Daily Interest Rate Period, Weekly Interest Rate Period, Short-Term Interest Rate Period, Long-Term Interest Rate Period or Fixed Interest Rate Period.

“Issuer” means the City of Kansas City, Missouri, and its successors and assigns.

“Issuer Agreements” means each of the Indenture, the Financing Agreement, the Bonds, the Purchase Contract, the Reimbursement Agreement, the Pledge and Security Agreement and the Remarketing Agreement.

“Issuer Bonds” means the Bonds held by the Tender Agent for and on behalf of the Issuer or any nominee for (or any Person who owns such Bonds for the sole benefit of) the Issuer pursuant to the Indenture.

“Issuer Representative” means the City Manager, the Director of Finance, the City Treasurer, or any such other person at the time designated to act on behalf of the Issuer as evidenced by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by the Director of Finance.

“Letter of Credit” means, with respect to the Bonds, the irrevocable direct-pay letter of credit issued by JPMorgan Chase Bank, National Association and any Alternate Letter of Credit delivered pursuant to the Indenture and with terms that are not inconsistent with the terms of the Indenture.

“Letter of Credit Provider” means, with respect to the Bonds (until the Fixed Rate Conversion Date for such Bonds), JPMorgan Chase Bank, National Association in its capacity as issuer of the initial Letter of Credit, and its successors and permitted assigns, and upon the effective date of an Alternate Letter of Credit, the bank or banks or other financial institution or financial institutions or other Person or Persons issuing such Alternate Letter of Credit, their successors and assigns.

“Majority of the Bondholders” means the Holders of more than fifty percent (50%) percent of the aggregate principal amount of Outstanding Bonds.

“Maximum Bank Rate” means the maximum legal rate of interest which the Letter of Credit Provider is legally entitled to charge, contract for or receive under any law to which such interest is subject.

“Maximum Bond Interest Rate” means the lesser of (a) 10% per annum and (b) the Maximum Bank Rate.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer by notice to the Trustee.

“Non-Scheduled Payments” means any payments under any Qualified Swap Agreement that are not Regularly Scheduled Payments, including but not limited to Early Termination Payments, indemnification payments, tax gross-up payments, expenses and default interest payments.

“One Month LIBOR Rate” means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time,

on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

“Outstanding Bonds” or **“Bonds outstanding”** means the amount of principal of the Bonds which has not at the time been paid, exclusive of (a) Bonds in lieu of which others have been authenticated under the Indenture, (b) principal of any Bond which has become due (whether by maturity, call for redemption or otherwise) and for which provision for payment as required herein has been made, (c) Undelivered Bonds, and (d) for purposes of any direction, consent or waiver under the Indenture, Bonds deemed not to be outstanding pursuant to the Indenture.

“Participant” means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

“Payments in Lieu of Taxes” or **“PILOTS”** means the revenues from real property taxes in the Redevelopment Project Area which revenues are to be used to reimburse Reimbursable Project Costs, which taxing districts would have received had the Issuer not adopted tax increment allocation financing, and which result from levies made after the time of the adoption of tax increment allocation financing within the Redevelopment Project Area, and during the time the current equalized value of real property in the Project Area 1 and 2 of the Redevelopment Project Area exceeds the total initial equalized assessed value of real property in the Redevelopment Project Area, until the designation is terminated pursuant to the Redevelopment Plan which shall not be later than September 14, 2023 with respect to Project Area 1 and May 17, 2024, with respect to Project Area 2.

“Paying Agent” means the Trustee or any other paying agent appointed in accordance with the Indenture.

“Payment Date” means each Interest Payment Date and each Principal Payment Date or any other date on which any principal of, premium, if any, or interest on any Bond is due and payable for any reason, including without limitation upon any redemption of Bonds pursuant to the Indenture.

“Payment Obligations” means the payment obligations of the Issuer pursuant to the Reimbursement Agreement, including any principal, interest, fees, costs and other similar amounts required to be paid by the Issuer pursuant to the Reimbursement Agreement.

“Permitted Investments” means any of the following securities, if and to the extent the same are at the time legal for investment of the moneys held in the funds and accounts listed in the Indenture:

1. United States Treasury Securities (Bills, Notes, Bonds and Strips).
2. United States Agency/GSE Securities. The Issuer may invest in obligations issued or guaranteed by any agency of the United States Government and in obligations issued by any government sponsored enterprise (GSE) which have a liquid market and a readily determinable market value that are described as follows:
 - (a) U.S. Govt. Agency Coupon and Zero Coupon Securities.
 - (b) U.S. Govt. Agency Discount Notes.
 - (c) U.S. Govt. Agency Callable Securities. Restricted to securities callable at par only.
 - (d) U.S. Govt. Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate.
 - (e) U.S. Govt. Agency Floating Rate Securities. Restricted to coupons with no interim caps that reset at least quarterly and that float off of only one index.
 - (f) U.S. Govt. Agency Mortgage Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of five (5) years or less or have the final projected payment no greater than four (4) years when analyzed in a +300 basis point interest rate environment. Restricted to obligations of FNMA, FHLMC and GNMA only.
3. Repurchase Agreements. The Issuer may invest in contractual agreements, with the consent of the Letter of Credit Provider, between the Issuer and commercial banks or primary government securities dealers. The SIFMA’s guidelines for the Master Repurchase Agreement will be used and will govern

all repurchase agreement transactions. All repurchase agreement transactions will be either physical delivery or tri-party.

4. Bankers' Acceptances. The Issuer may invest in bankers' acceptances issued by domestic commercial banks possessing the highest credit rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.
5. Commercial Paper. The Issuer may invest in commercial paper issued by domestic corporations, which has received the highest short-term credit rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized credit rating agency at the time of purchase. In addition, the Issuer's portfolio may not contain commercial paper of any one corporation, the total value of which exceeds 2% of the Issuer's aggregate investment portfolio.
6. Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard and Poor's or Moody's.
7. Any full faith and credit obligations of any county in which the Issuer is located rated at least AA or Aa2 by Standard and Poor's or Moody's.
8. Any full faith and credit obligations of any school district in Kansas City, Missouri rated at least AA or Aa2 by Standard and Poor's or Moody's.
9. Any full faith and credit obligations or revenue bonds of the City of Kansas City, Missouri rated at least AA or Aa2 by Standard and Poor's or Moody's.
10. Any municipal obligation as defined in (6), (7), (8) or (9) that is not rated but either pre-refunded or escrowed to maturity with U.S. Treasury Securities as to both principal and interest.
11. Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, rated in either of the two highest categories by Moody's and Standard & Poor's (in either case without regard to any modifier).
12. Such other investments not described above that are allowed pursuant to Missouri law and approved in writing by the Letter of Credit Provider.

References to particular ratings and rating categories in this definition are applicable only at the time of purchase of the Permitted Investment.

"Pledge and Security Agreement" means the Pledge and Security Agreement dated as of April 1, 2009, by and among the Letter of Credit Provider, the Issuer as pledgor, and the Trustee as custodian.

"Principal Office" means, with respect to the Trustee or the Tender Agent, the address of such Person identified as its Notice Address in the Indenture or otherwise notified in writing by such Person to the Issuer, the Trustee (in the case of notice by the Tender Agent), the Tender Agent (in the case of notice by the Trustee), the Letter of Credit Provider and the Remarketing Agent.

"Principal Payment Date" means any other date on which any principal on any Bond is due and payable for any reason, including without limitation upon any redemption of Bonds pursuant to the Indenture.

"Project" means the facilities or improvements located or to be located within the Redevelopment Area known as Project 1 and Project 2, the costs of which will be paid in whole or in part, or for which the redeveloper, the Commission and the Issuer will be reimbursed in whole or in part from the proceeds of the sale of the Bonds and which constitute a "project" as defined in the TIF Act, provided, however, changes and amendments may be made to the project as provided in the Financing Agreement.

“Rating Agency” means, as of any date, each of Moody’s, if Bonds are then rated by Moody’s, Fitch, if Bonds are then rated by Fitch, and S&P, if Bonds are then rated by S&P.

“Rating Category” means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

“Rebate Fund” means the fund by that named created by the Indenture.

“Record Date” means (i) with respect to any Interest Payment Date in respect to any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect to a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (ii) with respect to any Interest Payment Date in respect to any Weekly Interest Rate Period or any Short-Term Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, and (iii) with respect to any Interest Payment Date in respect to any Long-Term Interest Rate Period or a Fixed Interest Rate Period, the fifteenth day immediately preceding that Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, that first day.

“Redevelopment Plan” means the redevelopment plan approved by the City Council of the Issuer on May 3, 2004, by Ordinance No. 980426.

“Refunded Bonds” means the Variable Rate Demand Tax Increment Refunding and Improvement Revenue Bonds (Chouteau I-35 Project) Series 2003A and Variable Rate Demand Tax Increment Refunding and Improvement Bonds (Chouteau I-35 Project) Series 2003B, issued by the Commission.

“Reimbursement Agreement” means the Reimbursement Agreement between the Issuer and the Letter of Credit Provider relating to the Letter of Credit, as amended from time to time, or such agreement between the Issuer and the Letter of Credit Provider of any Alternate Letter of Credit.

“Remarketing Agent” means initially, with respect to the Bonds (until the Fixed Rate Conversion Date), Banc of America Securities LLC, and each Person qualified under the Indenture to act as Remarketing Agent for the Bonds and appointed by the Issuer from time to time.

“Remarketing Agreement” means the Remarketing Agreement between the Issuer and the Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent under the Indenture with respect to any of the Bonds.

“Request” means a request by the Tender Agent under the Letter of Credit or an Alternate Letter of Credit for the payment of the Tender Price of any Bonds in accordance with the terms of the Indenture.

“Revenue Fund” means the Revenue Fund created by the Indenture and within such fund two separate and segregated trust accounts designated as the **“TIF Revenues Account,”** and the **“City Revenue Account.”**

“Revenues” means all TIF Revenues and City Revenues. With respect to TIF Revenues only, Revenues do not include (i) any amount paid under protest until the protest is withdrawn or resolved against the taxpayer, and (ii) any sum received by the Commission which is the subject of a suit or other claim communicated to the Commission which suit or claim challenges the collection of such sum.

“Senior Obligations” means any obligations on a parity with the Bonds, including Payment Obligations and Regularly Scheduled Payments, if any, any related requirements to replenish funds such as a debt service reserve fund and any deposits in support of debt service.

“Series 2009C Bonds” means the City of Kansas City, Missouri, Variable Rate Demand Special Obligation Refunding Bonds (Chouteau I-35 Project) Series 2009C.

“Series 2009D Bonds” means the City of Kansas City, Missouri, Variable Rate Demand Taxable Special Obligation Refunding Bonds (Chouteau I-35 Project) Series 2009D.

“SIFMA Index” means on any date, a rate determined on the basis of the seven day high grade market index of tax-exempt variable rate demand obligations, as produced by the Municipal Market Data and published or made available by the Securities Industry and Financial Markets Association (**“SIFMA”**) or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Remarketing Agent and effective from such date.

“Supplemental Financing Agreement” means any agreement supplemental or amendatory to the Financing Agreement entered into by the Commission, the City and the Trustee pursuant to the Financing Agreement.

“Supplemental Indenture” means any indenture supplemental or amendatory to the Indenture entered into by the Issuer and the Trustee pursuant to the Indenture.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **“S&P”** shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer by notice to the Trustee and the Letter of Credit Provider.

“Tender Agent” means the Trustee in its capacity as tender agent, initially Commerce Bank, N.A., and each Person qualified under the Indenture to act as Tender Agent with respect to the Bonds and so appointed by the Issuer and so acting from time to time, and its successors.

“Tender Date” means the date on which Bonds are required to be purchased pursuant to the Indenture.

“Tender Price” means the purchase price to be paid to the Holders of any Bonds purchased pursuant to the Indenture, the immediately preceding Interest Accrual Date to the Tender Date (if the Tender Date is not an Interest Payment Date); provided, however, that in the case of a Conversion or attempted Conversion from a Long-Term Interest Rate Period on a date on which any Bonds being converted would otherwise be subject to optional redemption pursuant to the Indenture if such Conversion did not occur, the Tender Price shall also include the optional redemption premium, if any, provided for such date under the Indenture.

“TIF Act” means the Real Property Tax Increment Financing Allocation Act, Sections 99.800 to 99.865, inclusive, of the Revised Statutes of Missouri, as amended.

“TIF Revenues” means the Payments in Lieu of Taxes, if any, and subject to annual appropriation, the Economic Activity Tax Revenues and all proceeds thereof less the Commission’s administrative fees and expenses in a maximum amount of 5% of the Payments in Lieu of Taxes and Economic Activity Taxes.

“Trust Estate” means the Trust Estate described in the Granting Clauses of the Indenture.

“Trustee” means Commerce Bank, N.A., a state banking corporation and its successors and assigns.

“Undelivered Bond” means any Bond which constitutes an Undelivered Bond under the provisions of the Indenture.

“Underwriter” means Banc of America Securities LLC, as purchaser of the Bonds under the Purchase Contract.

“United States Obligations” means direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America, which obligations are noncallable.

“Weekly Interest Rate” means a variable interest rate for any Bonds established in accordance with the Indenture.

“Weekly Interest Rate Period” means each period during which a Weekly Interest Rate is in effect for the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bonds are mutilated, lost, stolen, or destroyed, the Issuer shall execute and the Trustee shall authenticate new Bonds of like date and denomination as that mutilated, lost, stolen or destroyed, provided that, in the case of any mutilated Bonds, such mutilated Bonds shall first be surrendered to the Issuer or the Trustee, and in the case of any lost, stolen, or destroyed Bonds, there first shall be furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with an indemnity of the Issuer and the Trustee satisfactory to the Trustee. In the event any such Bonds shall have matured or is about to become due and payable, the Trustee, instead of issuing duplicate Bonds, may pay the same without surrender thereof, making such requirements as it deems fit for its protection, including a lost instrument bond. The Issuer and the Trustee may charge the Holder of such Bonds with their reasonable fees and expenses for such service.

Interest on Bonds.

(a) General. Except as provided in the Indenture with respect to Fixed Interest Rate Bonds, the interest rate and Interest Rate Period on and for any Bonds may be adjusted as set forth in this Section. Any Series of Bonds may bear interest at a Daily Interest Rate, Weekly Interest Rate, Short-Term Interest Rate, Long-Term Interest Rate or Fixed Interest Rate.

The Issuer may designate a different Interest Rate Period with respect to any Bond during a Floating Rate Period on any Conversion Date, upon compliance with this Section.

(b) Interest Rate Periods. Bonds may operate in any of the following Interest Rate Periods which rates shall be determined as provided in this Section:

(i) Daily Interest Rate. During each Daily Interest Rate Period, any Bond designated as bearing interest at a Daily Interest Rate shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent on each Business Day for such Business Day.

The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt or taxable, as applicable, obligations comparable, in the judgment of the Remarketing Agent, to such Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) on or before 9:30 a.m. on a Business Day to be the minimum interest rate which, if borne by such Bonds, would enable the Remarketing Agent to sell all of such Bonds on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof. The Daily Interest Rate for any day which is not a Business Day shall be the same as the Daily Interest Rate for the immediately preceding Business Day.

If for any reason a Daily Interest Rate for the Bonds designated as bearing interest at a Daily Interest Rate is not so established for any Business Day by the Remarketing Agent, the Daily Interest Rate for such Business Day shall be the same as the Daily Interest Rate for the immediately preceding day and such rate shall continue until the earlier of (a) the date on which the Remarketing Agent determines a new Daily Interest Rate or (b) the seventh day succeeding the first such day on which such Daily Interest Rate is not determined by the Remarketing Agent. In the event that the Daily Interest Rate shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Interest Rate for a period of seven days as described in clause (b) of the immediately preceding sentence, the interest rate applicable to the Series 2009C Bonds, as determined by the Remarketing Agent shall be the interest rate per annum equal to 100% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by

major corporations as reported in *The Wall Street Journal* on the day such Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period, and the interest rate applicable to the Series 2009D Bonds as determined by the Remarketing Agent, shall be the interest rate per annum equal to 100% of the One Month LIBOR Rate, or if such index is no longer available, 100% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Interest Rate is again validly determined by such Remarketing Agent.

(ii) Weekly Interest Rate. During each Weekly Interest Rate Period, any Bonds designated as bearing interest at a Weekly Interest Rate shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by 5:00 p.m. on Tuesday of each week during the Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Interest Rate Period ends on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on and including the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on and including the last day of such Weekly Interest Rate Period.

Each Weekly Interest Rate with respect to the Bonds shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of taxable obligations comparable, in the judgment of the Remarketing Agent, to the Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell all of the Bonds on the effective date of that rate at a price (without regard to accrued interest) equal to the principal amount thereof.

If the Remarketing Agent fails to establish a Weekly Interest Rate for any week with respect to the Bonds bearing interest at such rate, then the Weekly Interest Rate for such week with respect to such Bonds shall be the same as the immediately preceding Weekly Interest Rate if such Weekly Interest Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Interest Rate for the Series 2009C Bonds was not determined by the Remarketing Agent, or if the Weekly Interest Rate for the Series 2009C Bonds determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for the Series 2009C Bonds for such week, as determined by the Remarketing Agent, shall be equal to 100% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day such Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period. If the immediately preceding Weekly Interest Rate for the Series 2009D Bonds was not determined by the Remarketing Agent, or if the Weekly Interest Rate for the Series 2009D Bonds determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for the Series 2009D Bonds for such week, as determined by the Remarketing Agent, shall be equal to 100% of the One Month LIBOR Rate, or if such index is no longer available, 100% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Interest Rate is again validly determined by such Remarketing Agent.

If at any time the Remarketing Agent shall determine that, in its judgment and with the concurrence of the Issuer, the scheduled date for commencement of a Weekly Rate Period has become inappropriate (taking into account general market practice with respect to periodic adjustment of rates on instruments comparable to the Bonds bearing interest at the Weekly Rate, whether based upon the time of compilation or reporting of any interest rate or financial index or indicator or otherwise), the Remarketing Agent may, upon approval of the Issuer, designate a new day of the week for the commencement of Weekly Rate Periods to remain in effect until another redetermination in accordance with this subparagraph. The Remarketing Agent shall give written notice of any change in the commencement date of a Weekly Rate Period to the Issuer, the Trustee, the Letter of Credit Provider, and such change shall become effective on the first scheduled day of a Weekly Rate Period so designated occurring not less than 14 days following the giving of such notice. Promptly upon receipt of such notice, the Trustee shall notify or cause the Remarketing Agent to notify each affected Bondholder of such change in writing.

(iii) Short Term Interest Rate. The Issuer may select such subsequent Interest Rate Period and, within a Short-Term Interest Rate Period, the Remarketing Agent at the direction of the Issuer may designate such Short-Term Interest Rate Periods from time to time as will, in its judgment, result in the lowest aggregate cost being payable with respect to such Bonds, taking into account interest and any other determinable fees and expenses relating to such Bonds. The Issuer may establish different Short-Term Interest Rate Periods and, within a Short-Term Interest Rate Period, the Remarketing Agent at the direction of the Issuer may from time to time, establish different Short Term Interest Rate Periods, for any Bonds on the same Conversion Date in order to achieve an average duration of Interest Rate Periods that, in the judgment of the Remarketing Agent, is most likely to achieve the lowest total aggregate cost being payable by the Issuer with respect to such Bonds, taking into account interest and any other determinable fees and expenses relating to such Bonds. The Remarketing Agent's determination shall be based upon the market for and the relative yields of such Bonds and other securities that bear interest at a variable rate or at fixed rates that, in the judgment of the Remarketing Agent, are otherwise comparable to such Bonds, or any fact or circumstance relating to such Bonds or affecting the market for such Bonds, or affecting such other comparable securities, in a manner that, in the judgment of the Remarketing Agent, will affect the market for such Bonds. The Remarketing Agent, in its discretion, may consider such information and resources as it deems appropriate in making the determinations required by this Section, but the Remarketing Agent's determination shall be based solely upon the Remarketing Agent's judgment, and the Remarketing Agent's determination shall be conclusive and binding upon all parties.

(iv) Long-Term Interest Rate. During each Long-Term Interest Rate Period, any Bonds designated as bearing interest at a Long-Term Interest Rate shall bear interest at a Long-Term Interest Rate. The Long-Term Interest Rate for each Long-Term Interest Period shall be determined by the Remarketing Agent on a Business Day no later than the effective date of such Long-Term Interest Rate Period.

The Long-Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of taxable obligations comparable, in the judgment of the Remarketing Agent, to the Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate at which the Remarketing Agent will agree to purchase such Bonds on such effective date for resale at a reoffering price or prices (without regard to accrued interest) as shall be agreed on between the Issuer and the Remarketing Agent.

(v) Fixed Interest Rate. During each Fixed Interest Rate Period, any Bonds designated as bearing interest at a Fixed Interest Rate shall bear interest at a Fixed Interest Rate. The Fixed Interest Rate shall be determined by the Remarketing Agent on a Business Day no later than the date of pricing of such Bonds at least ten days prior to the Fixed Rate Conversion Date.

No Bonds shall, at any time, bear interest in excess of the Maximum Bond Interest Rate, except that, as provided in the Indenture, the interest rate paid by the Issuer on Bank Bonds pursuant to the Letter of Credit or Reimbursement Agreement shall not exceed the Maximum Bank Rate.

(c) Designation of Interest Rate Period. The Issuer shall evidence each designation of a subsequent Interest Rate Period and Conversion Date for Bonds pursuant to this Section hereof by giving written notice to the Trustee, the Remarketing Agent, the Letter of Credit Provider and each of the Rating Services, which written notice shall be sent to each such party not less than thirty (30) days prior to the Conversion Date with respect to the new Interest Rate Period, specifying the Interest Rate Period in which such Bonds shall operate following such Conversion Date and the commencement date of such Interest Rate Period; provided, however, that (i) if such Interest Rate Period is to a Floating Rate Period, the first day following each Interest Rate Period therein shall be a Business Day, and (ii) not later than the fifteenth (15th) day prior to the Conversion Date with respect to the new Interest Rate Period, the Trustee must have received written evidence from each of the Rating Services that the then current rating on the Bonds will not be reduced or withdrawn due to the conversion of the Bonds to the Floating Rate Period. In addition, the Letter of Credit must provide enough days of interest coverage after the Conversion Date as may be required by any of the Rating Services to continue its rating, if any, unless no Letter of Credit is required pursuant to the Indenture.

No later than 11:00 a.m., New York City time, on a Conversion Date which is the first day of a Floating Rate Period, the Remarketing Agent shall give telephonic notice (confirmed by telecopy) to the Issuer and the Trustee of (i) the initial Interest Rate Period and initial Interest Rate to be borne by each Bond designated to operate in a Floating Rate Period, and (ii) the Conversion Date which immediately succeeds such initial Interest Rate Period. No later than 11:00 a.m. New York City time, on any Conversion Date which is the first day of an Interest Rate Period, the Remarketing Agent shall give telephonic notice (confirmed by telecopy) to the Issuer and the Trustee of (i) the initial Interest Rate Period and initial Interest Rate to be borne by each Bond designated to operate in a Bond Interest Term, and (ii) the Conversion Date which immediately succeeds such initial Interest Rate Period. No later than 11:00 a.m., New York City time, on the Rate Determination Date preceding a Conversion Date which is the first day of a Daily Rate Period or a Weekly Rate Period, the Remarketing Agent shall give telephonic notice (confirmed by telecopy) to the Issuer and the Trustee of the initial Daily Rate Period or Weekly Interest Rate to be borne by the Bonds designated to operate in a Daily Rate Period or Weekly Interest Rate.

Except with respect to a Fixed Interest Rate of any Bonds, in the event the Remarketing Agent does not determine the interest rate applicable to the initial Interest Rate Period during a new Interest Rate Period with respect to any Bond as provided in this Section, the immediately succeeding Interest Rate Period with respect to the Bonds in the Interest Rate Period then ending shall be a Weekly Interest Rate established by the Remarketing Agent, or if the Remarketing Agent fails to set such Weekly Interest Rate, such Weekly Interest Rate shall be equal to the One Month LIBOR Rate of SIFMA Index, as applicable.

Upon receipt of notice from the Issuer as provided hereunder, the Trustee, at least fifteen (15) days prior to each succeeding Conversion Date, shall give the prompt notice described in the Indenture to each Owner of Bonds thereby affected of the mandatory tender for purchase of the affected Bonds on the Conversion Date.

During such time as a Letter of Credit is required under the Indenture, no conversion of an Interest Rate Period shall be effective unless the Issuer has certified to the Trustee that the Letter of Credit in effect, on and after such Conversion permits requests to be made and funds to be made available at such times and in such amounts so the Tender Agent can comply with the Indenture.

(d) Interest Accrual and Payment. Interest on the Bonds shall be paid on each Interest Payment Date, any redemption date and on the Maturity Date therefor. Except during a Long-Term Interest Rate Period or Fixed Interest Rate Period, interest on the Bonds shall accrue on the basis of the actual number of days elapsed during the Interest Rate Period and a year of 365 days (366 days in a leap

year). Interest on the Bonds bearing interest at a Long-Term Interest Rate or a Fixed Interest Rate shall accrue on the basis of a 360-day year based on twelve 30-day months.

Each Bond shall bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof or, if such date of authentication is an Interest Accrual Date to which interest on such Bonds has been paid in full or duly provided for, from such date of authentication or, if it is the first payment of interest on such Bonds, the date thereof. However, if, as shown by the records of the Trustee, interest on the Bonds is in default, Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Bonds so surrendered or, if no interest has been paid on such Bonds, from the date thereof.

For any Daily Interest Rate Period, interest on the Bonds shall be payable on each Interest Payment Date for the period commencing on the Interest Accrual Date preceding the prior Interest Payment Date and ending on the last day of such month.

For any Weekly Interest Rate Period, interest on the Bonds shall be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday, commencing on and including the second preceding Interest Accrual Date) and ending on and including the day immediately preceding the Interest Payment Date (or, if sooner, the last day of the Weekly Interest Rate Period).

(e) Conversion of Interest on Bonds and Notice.

Daily Interest Rate.

Conversion to Daily Interest Rate. Upon direction from the City, the Issuer may, from time to time, by written direction to the Trustee, the Letter of Credit Provider, the Remarketing Agent, elect that any Bonds designated as such shall bear interest at a Daily Interest Rate. The direction of the Issuer shall specify (a) the proposed effective date of such Conversion to a Daily Interest Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the receipt by the Trustee of such direction, (2) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which such Bonds would otherwise be subject to optional redemption if such Conversion did not occur, and (3) in the case of a Conversion from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period determined in accordance with the Indenture and (b) the Tender Date for such Bonds to be purchased, which shall be the proposed effective date of the Conversion to a Daily Interest Rate. In addition, the direction of the Issuer shall be accompanied by a form of notice to be mailed to the Holders of the affected Bonds designated as bearing interest at a Daily Interest Rate by the Trustee. During each Daily Interest Rate Period for such Bonds commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by such Bonds shall be a Daily Interest Rate.

(B) Notice of Conversion to Daily Interest Rate. The Trustee shall give notice by first-class mail of a Conversion to a Daily Interest Rate Period to the Holders of the Bonds designated as bearing interest at a Daily Interest Rate not less than 15 days prior to the proposed effective date of such Daily Interest Rate Period.

(ii) Weekly Interest Rate.

(A) Conversion to Weekly Interest Rate. The Issuer may, from time to time, by written direction to the Trustee, the Letter of Credit Provider and the Remarketing Agent, elect that the Bonds shall bear interest at a Weekly Interest Rate. The direction of the Issuer shall specify (a) the proposed effective date of the Conversion to a Weekly

Interest Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the receipt by the Trustee of such direction, (2) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Bonds would otherwise be subject to optional redemption if such Conversion did not occur, and (3) in the case of a Conversion from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period determined in accordance with the Indenture, and (b) the Tender Date for any Bonds to be purchased, which shall be the proposed effective date of the Conversion to a Weekly Interest Rate. In addition, the direction of the Issuer shall be accompanied by a form of notice to be mailed to the Holders of the affected Bonds by the Trustee as provided in the Indenture. During each Weekly Interest Rate Period for any Bonds bearing interest at a Weekly Interest Rate commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the Bonds shall be a Weekly Interest Rate.

(B) Notice of Conversion to Weekly Interest Rate. The Trustee shall give notice by first-class mail of a Conversion to a Weekly Interest Rate Period to the Holders of the Bonds not less than 15 days prior to the proposed effective date of such Weekly Interest Rate Period.

(iii) Short-Term Interest Rate.

(A) Determination of Short-Term Interest Rates. During each Short-Term Interest Rate Period, any Bond designated as bearing interest at a Short-Term Interest Rate shall bear interest during each Short-Term Interest Rate Period at the Short-Term Interest Rate for that Bond. The Short-Term Interest Rate for each Bond need not be the same for any two Bonds, even if determined on the same date. Each Short-Term Interest Rate shall be determined by the Remarketing Agent no later than the first day of each Short-Term Interest Rate Period. Except for any Bonds designated as bearing interest at a Short-Term Interest Rate purchased on behalf of the Issuer and remaining unsold by the Remarketing Agent at the close of business on the first day of the Short-Term Interest Rate Period, each Bond Interest Term shall be for a period of days within the range or ranges announced by the Remarketing Agent as possible Short-Term Interest Rate Period no later than 9:00 a.m. on the first day of each Short-Term Interest Rate Period. Each Short-Term Interest Rate Period shall be a period of not more than 180 days, determined by the Remarketing Agent in its reasonable judgment to be the period which, together with all other Short-Term Interest Rate for all Bonds bearing interest at Short-Term Interest Rates then Outstanding, will result in the lowest overall interest expense on such Bonds. Any Bonds purchased on behalf of the Issuer and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Short-Term Interest Rate Period for such Bonds shall have a Short-Term Interest Rate Period of one day or, if that Short-Term Interest Rate Period would not end on a day immediately preceding a Business Day, a Short-Term Interest Rate Period ending on the day immediately preceding the next Business Day. Each Short-Term Interest Rate Period shall end either on a day which immediately precedes a Business Day or on a day immediately preceding the Maturity Date for such Bonds. If for any reason a Bond Interest Term for any Bonds bearing interest at Short-Term Interest Rates cannot be determined by the Remarketing Agent, or if the determination of such Short-Term Interest Rate is held by a court of law to be invalid or unenforceable, then such Short-Term Interest Rate Period shall be 30 days, but if the day so determined is not a day immediately preceding a Business Day, that Short-Term Interest Rate shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, the Short-Term Interest Rate Period shall end on the day immediately preceding such Maturity Date. In determining the number of days in each Short-Term Interest Rate

Period, the Remarketing Agent shall take into account the following factors: (1) existing short-term taxable market rates and indices of such short-term rates, (2) the existing market supply and demand for short-term taxable securities, (3) existing yield curves for short-term and long-term taxable securities, for obligations of credit quality and other characteristics comparable to the Bonds bearing interest at Short-Term Term Interest Rates, (4) general economic conditions, (5) industry, economic and financial conditions that may affect or be relevant to such Bonds, and (6) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent in its sole discretion shall determine to be relevant; provided, however, that the number of days in any Short-Term Interest Rate shall not exceed the number of days of interest coverage provided under the applicable Letter of Credit less five days and no Short-Term Interest Rate Period shall end after the date which is five Business Days prior to the expiration date of the Letter of Credit.

The Short-Term Interest Rate for each Bond Interest Term for each Bond in a Short-Term Interest Rate Period shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of taxable obligations comparable, in the reasonable judgment of such Remarketing Agent, to such Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by such Bonds for such Short-Term Interest Rate Period, would enable the Remarketing Agent to sell such Bonds on the effective date of such Bond Interest Term at a price equal to the principal amount thereof.

(B) Conversion to Short-Term Interest Rates. The Issuer may, from time to time, by written direction to the Trustee, the Letter of Credit Provider and the Remarketing Agent, elect that the Bonds shall bear interest at Short-Term Interest Rates. The direction of the Issuer shall specify (a) the proposed effective date of the Short-Term Interest Rate Period (during which the Bonds shall bear interest at Bond Interest Term Rates), which shall be (1) in each case, a Business Day not earlier than the 30th day following the receipt by the Trustee of such direction, and (2) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of such Long-Term Interest Rate Period or a day on which the Bonds would otherwise be subject to optional redemption pursuant to the Indenture if such Conversion did not occur, and (b) the Tender Date for such Bonds to be purchased, which shall be the Business Day immediately preceding the proposed effective date of the Short-Term Interest Rate Period. In addition, the direction of the Issuer shall be accompanied by a form of the notice to be mailed by the Trustee to the Holders of such Bonds as provided in the Indenture. During each Short-Term Interest Rate Period commencing on the date specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, each Bond shall bear interest at a Short-Term Interest Rate during each Short-Term Interest Rate Period for that Bond.

(C) Notice of Conversion to Short-Term Interest Rates. The Trustee shall give notice by first-class mail of a Conversion to a Short-Term Interest Rate Period to the Holders of the Bonds not less than 15 days prior to the proposed effective date of such Short-Term Interest Rate Period.

(D) Conversion from Short-Term Interest Rate Period. At any time during a Short-Term Interest Rate Period the Issuer may elect that the Bonds designated as bearing interest at a Short-Term Interest Rate no longer shall bear interest at Short-term Interest Rates and shall bear interest at a Daily Interest Rate, Weekly Interest Rate, a Long-Term Interest Rate or Fixed Interest Rate, as specified in such election.

The date on which all Short-Term Interest Rate Periods determined for the Bonds shall end shall be the last day of the current Short-Term Interest Rate Period with respect

thereto and the day next succeeding such date shall be the Maturity Date or the effective date of the Daily Interest Rate Period, the Weekly Interest Rate Period or the Long-Term Interest Rate Period elected by the Issuer for the Bonds.

(iv) Long-Term Interest Rate.

(A) Conversion to Long-Term Interest Rate. At any time, the Issuer by written direction to the Trustee, the Letter of Credit Provider and the Remarketing Agent, may elect that the Bonds shall bear, or continue to bear, interest at a Long-Term Interest Rate. The direction of the Issuer (1) shall specify the duration of the Long-Term Interest Rate Period; (2) shall specify the proposed effective date of the Long-Term Interest Rate Period, which date shall be (x) in each case, a Business Day not earlier than the 30th day following the receipt by the Trustee of such direction, and (y) the day immediately following the last day of such period determined in accordance with this Section; (3) shall specify the last day of the Long-Term Interest Rate Period (which last day shall be a day which immediately precedes a Business Day and is at least 181 days after the effective date thereof and no longer than 2 years); and (4) shall specify a Tender Date on which Holders of the Bonds designated as bearing interest at a Long-Term Interest Rate are required to deliver their Bonds to be purchased.

If, by the second Business Day preceding the 30th day prior to the last day of any Long-Term Interest Rate Period with respect to the Bonds designated as bearing interest at a Long-Term Interest Rate, the Trustee has not received notice of the Issuer's election that, during the next succeeding Interest Rate Period, such Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate, a Long-Term Interest Rate, a Short-Term Interest Rate or at a Fixed Interest Rate, the next succeeding Interest Rate Period shall be a Weekly Interest Rate Period until such time as the interest rate shall be adjusted to a Daily Interest Rate, a Long-Term Interest Rate or a Short-Term Interest Rate, and the Bonds shall be subject to mandatory purchase as provided in the Indenture hereof on the first day of such Weekly Interest Rate Period.

(B) Notice of Conversion to or Continuation of Long-Term Interest Rate. The Trustee shall give notice by first-class mail of a Conversion to a (or the establishment of another) Long-Term Interest Rate Period to the Holders of the Bonds not less than 15 days prior to the effective date of the Long-Term Interest Rate Period.

(C) Conversion from Long-Term Interest Rate Period. The Issuer may elect, by written direction to the Trustee, the Letter of Credit Provider and the Remarketing Agent, that, on the day immediately following the last day of a Long-Term Interest Rate Period or a day on which such Bonds would otherwise be subject to optional redemption pursuant to the Indenture, the Bonds shall no longer bear interest at the current Long-Term Interest Rate and shall instead bear interest at a Daily Interest Rate, a Weekly Interest Rate, a Short-Term Interest Rate, a Fixed Interest Rate or a new Long-Term Interest Rate, as specified in such election.

(v) Fixed Rate Bonds

(A) Conditions to Fixed Rate Bonds. On any Conversion Date, the interest rate to be borne by the Bonds may be converted to a Fixed Interest Rate, and such Bonds so converted shall thereafter bear interest at such Fixed Interest Rate until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions hereof, whether at the Maturity Date, upon redemption or otherwise, upon receipt by the Trustee of (i) a direction from a duly authorized officer of the Issuer specifying a Fixed Rate Conversion Date and the principal amount of Bonds to be converted, and (ii) a firm underwriting or purchase contract from a recognized firm of bond underwriters or recognized institutional investors to underwrite

or purchase all Bonds which are to be converted on such Fixed Rate Conversion Date at a reoffering price or prices (without regard to accrued interest) as shall be agreed on between the Issuer and the Remarketing Agent. The certificate and contract shall be received not less than 10 days prior to the Fixed Rate Conversion Date.

At least 15 days prior to the Fixed Rate Conversion Date, the Trustee shall give or cause the Remarketing Agent to give written notice of such election by the Issuer to the Registered Owners of all Bonds, which notice shall state (i) the Fixed Rate Conversion Date, (ii) applicable optional and mandatory redemption provisions as set forth herein or in any Supplemental Indenture entered into in connection with the Conversion to Fixed Interest Rates and (ii) that such Bonds shall be subject to mandatory purchase on such Fixed Rate Conversion Date. The Trustee shall give written notice by first class mail to the Remarketing Agent and the Letter of Credit Provider of the foregoing information.

(B) The Issuer, at the direction of the Trustee, shall deliver replacement Bonds bearing the Fixed Interest Rate for converted Bonds surrendered or deemed surrendered by the Registered Owner thereof. Any such replacement Bonds shall be executed and authenticated as provided herein; provided, however, that the Trustee rather than issuing a replacement Bond may affix a legend on the face of each Bond authenticated on or after the Fixed Rate Conversion Date therefor in substantially the following form:

This Bond bears interest at the Fixed Interest Rate, as defined in this Bond, of _____ percent per annum from and after _____. This Bond is not secured by a Letter of Credit. This Bond matures on _____.

(C) From the date notice of the proposed establishment of a Fixed Interest Rate with respect to any Bond is received by the Trustee as provided in this Section through the Fixed Rate Conversion Date therefor, such Bond shall not be remarketed by the Remarketing Agent except to a buyer who is notified in writing of the mandatory purchase of such Bond on such Fixed Rate Conversion Date.

(D) No Letter of Credit is required for Bonds bearing interest at a Fixed Interest Rate. The determination of the Fixed Interest Rate for any Bonds shall be conclusive and binding upon the Registered Owners of such Bonds, the Issuer and the Trustee.

(f) Determinations of Remarketing Agent Binding. The determination for the Bonds of the Daily Interest Rate, Weekly Interest Rate, Short-Term Interest Rate and Long-Term Interest Rate and Fixed Rate by the Remarketing Agent shall be conclusive and binding upon the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Letter of Credit Provider and the Bondholders.

(g) Bank Bonds. Notwithstanding anything in the Indenture to the contrary, the Bank Bonds shall bear interest at the Bank Rate for the period commencing from the date that the Letter of Credit Provider shall have purchased such Bonds and continuing until the Letter of Credit Provider (or a purchaser from the Letter of Credit Provider other than a purchaser which purchased such Bonds through the Remarketing Agent) shall no longer be the owner of such Bonds; and such interest shall accrue and be payable on any Interest Payment Date for Bank Bonds.

Conversion of Interest Rate Periods.

The Issuer may convert the Bonds from time to time, from an Interest Rate Period to another Interest Rate Period as provided in the Indenture, except that Bonds bearing interest at the Fixed Rate may not be converted to another Interest Rate Period.

(a) Notice Upon Converting Interest Rate. If the Issuer elects to convert the interest rate of the Bonds to a Daily Interest Rate, a Weekly Interest Rate, a Long-Term Interest Rate, Fixed Interest Rate or Short-Term Interest Rates as provided in the Indenture, the written direction furnished by the Issuer to the Trustee, the Tender Agent, the Letter of Credit Provider and the Remarketing Agent as required by those Sections shall be made by registered or certified mail, or by telecopy confirmed by registered or certified mail. That direction shall specify whether the Bonds are to bear interest at the Daily Interest Rate, Weekly Interest Rate, Long-Term Interest Rate, Fixed Interest Rate or Short-Term Interest Rates and shall be accompanied by (a) a copy of the notice required to be given by the Trustee pursuant to the Indenture.

(b) Rescission of Election. In connection with any Conversion of the Interest Rate Period for any Bonds, the Issuer shall have the right to deliver to the Trustee, the Remarketing Agent and the Letter of Credit Provider, on or prior to 10:00 a.m. on the second Business Day preceding the effective date of any such Conversion a notice to the effect that the Issuer elects to rescind its election to make such Conversion; provided, however, that if the Bonds were in a Daily Interest Rate Period immediately prior to such proposed Conversion, then the Bonds shall continue to bear interest at the Daily Interest Rate as in effect immediately prior to such proposed Conversion. If the Issuer rescinds its election to make such Conversion, then the Bonds shall bear interest at a Weekly Interest Rate commencing on the date which would have been the effective date of the Conversion. In any event, if notice of a Conversion has been mailed to the Holders of such Bonds as provided in the Indenture and the Issuer rescinds its election to make such Conversion, then the Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the Indenture.

(c) Conditions to Conversion. No Conversion from one Interest Rate Period to another shall take effect under the Indenture unless each of the following conditions, to the extent applicable, shall have been satisfied:

(i) With respect to the new Interest Rate Period, there shall be in effect a Letter of Credit if and as required under the Indenture.

(ii) The Trustee shall have received a Favorable Opinion of Co-Bond Counsel with respect to such Conversion dated the effective date of such Conversion.

(iii) In the case of any Conversion with respect to which there shall be no Letter of Credit in effect to provide funds for the purchase of Bonds on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the affected Bonds at the Tender Price (not including any premium).

(iv) In the case of any Conversion of any of the Bonds for which the Letter of Credit shall be in effect, the Trustee has received prior written confirmation from each Rating Agency maintaining a rating on such Bonds that such Conversion will not result in a reduction or withdrawal of the then current ratings on such Bonds.

(v) If a Letter of Credit will be in effect after the Conversion Date, in the case of any Conversion of the Bonds to any Long-Term Interest Rate Period, the term of the Letter of Credit shall extend to the earlier of the end of such Long-Term Interest Rate Period or the first optional redemption date during such Long-Term Interest Rate Period and the Trustee has received prior written confirmation from each Rating Agency maintaining a rating on the Bonds that such conversion will not result in a reduction or withdrawal of the then current long-term ratings on any of the Bonds.

(d) **Failure to Meet Conditions.** In the event that any condition to the Conversion of any of the Bonds shall not have been satisfied as provided in the Indenture or otherwise under the Indenture, then such Bonds shall bear interest at a Weekly Interest Rate commencing on the date which would have been the effective date of the Conversion, and such Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the Indenture.

Method and Place of Payment. The principal of and premium, if any, and interest on the Bonds or Tender Price, as applicable, shall be payable in lawful money of the United States of America. Such amounts shall be paid by the Trustee on the applicable Payment Dates (i) in the case of Bonds other than Bonds bearing interest at a Long-Term Interest Rate or Fixed Interest Rate, by electronic transfer of immediately available funds to the respective Holders thereof on the applicable Record Date to an account specified by the Holder thereof in a writing delivered to the Trustee, and (ii) in the case of Bonds bearing interest at the Long-Term Interest Rate or Fixed Interest Rate, by check or draft mailed by the Trustee to the respective Holders thereof on the applicable Record Date at their addresses as they appear as of the close of business on the applicable Record Date in the books kept by the Trustee, as bond registrar, except that in the case of such a Holder of \$1,000,000 or more in aggregate principal amount of such Bonds, upon the written request of such Holder to the Trustee, specifying the account or accounts to which such payment shall be made, such payments shall be made by electronic transfer of immediately available funds on the applicable Payment Date following such Record Date. Any request referred to in clause (ii) of the preceding sentence shall remain in effect until revoked or revised by such Holder by an instrument in writing delivered to the Trustee. Any direction with respect to electronic transfer pursuant to the Indenture, shall be in writing signed by the Holder, and shall set forth the bank (which shall be in the continental United States) to which payment is to be directed, its ABA routing number, and the account name and number at the receiving bank to which payment is to be credited.

Annual Appropriations. The Issuer intends, on or before the last day of each Fiscal Year, to budget and appropriate, moneys sufficient to pay all the Debt Service Payments and reasonably estimated Additional Payments for the next succeeding Fiscal Year. The Issuer shall deliver written notice to the Letter of Credit Provider and the Trustee no later than 15 days after the commencement of its Fiscal Year stating whether or not the City Council has appropriated funds sufficient for the purpose of paying the Debt Service Payments and Additional Payments reasonably estimated to become due during such Fiscal Year. If the City Council shall have made the appropriation necessary to pay the Debt Service Payment and reasonably estimated Additional Payments to become due during such Fiscal Year, the failure of the Issuer to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall not constitute an Event of Nonappropriation and, on failure to receive such notice 15 days after the commencement of the Issuer's Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If the City Council shall not have made the appropriation necessary to pay the Debt Service Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the Issuer to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

Covenant to Request Appropriations. The Issuer covenants and agrees that the officer of the Issuer at any time charged with the responsibility of formulating budget proposals is hereby directed to include in the budget proposal submitted to the City Council for each Fiscal Year that the Bonds are Outstanding a request for an appropriation of the amounts for transfer to the Trustee at the times and in the manner provided in the Indenture, it being the intention of the Issuer that the decision to appropriate or not to appropriate under the Indenture shall be made solely by the City Council and not by any other official of the Issuer. The Issuer intends, subject to the provisions above respecting the failure of the Issuer to budget or appropriate sufficient funds to make the Debt Service Payments and Additional Payments, to pay the Debt Service Payments and Additional Payments hereunder. The Issuer reasonably believes that legally available funds in an amount sufficient to make all Debt Service Payments and Additional Payments during each Fiscal Year can be obtained. The Issuer further intends to do all things lawfully within its power to obtain and maintain funds from which the Debt Service Payments and Additional Payments may be made, including making provision for such Debt Service Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of the Issuer and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. The Issuer's Director of Finance is directed to do all things lawfully within such Director's power to obtain and maintain funds from which the Debt Service Payments and Additional Payments may be paid, including

making provision for such Debt Service Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval or by supplemental appropriation in accordance with applicable procedures of the Issuer and to exhaust all available reviews and appeals in the event such portion of the budget or supplemental appropriation is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds is to be made by the Issuer's City Council in accordance with the Issuer's normal procedures for such decisions.

Payments to Constitute Current Expenses of the Issuer. The Issuer and the Trustee acknowledge and agree that the Debt Service Payments and Additional Payments under the Indenture shall constitute currently budgeted expenditures of the Issuer, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the Issuer in contravention of any applicable constitutional or statutory limitation or requirements concerning the creation of indebtedness by the Issuer, nor shall anything contained herein constitute a pledge of the general credit, tax revenues, funds or moneys of the Issuer. The Issuer's obligations to pay Debt Service Payments and Additional Payments under the Indenture shall be from year to year only, and shall not constitute a mandatory payment obligation of the Issuer in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Indenture nor the issuance of the Bonds shall directly or indirectly obligate the Issuer to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the Issuer's then current Fiscal Year, but in each Fiscal Year the Debt Service Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing herein shall be construed to limit the rights of the Bondholders, the Letter of Credit Provider or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture. Failure of the Issuer to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Purchase of Bonds.

(a) During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Bonds (other than a Bank Bond) bearing interest at a Weekly Interest Rate shall be purchased in an Authorized Denomination (provided that the amount of any such Bonds not to be purchased shall also be in an Authorized Denomination) from its Bondholder at the option of the Bondholder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of any Bonds, to the Trustee at its Principal Office and to the Remarketing Agent of an irrevocable written notice which states the principal amount of such Bonds, the principal amount thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day after the date of the delivery of such notice to the Tender Agent, the Trustee and the Remarketing Agent. Any notice delivered to the Tender Agent, the Trustee and the Remarketing Agent after 4:00 p.m., (New York City time), shall be deemed to have been received on the next succeeding Business Day. Bank Bonds may not be tendered for purchase at the option of the Holder thereof. For payment of the Tender Price on the Tender Date, such Bonds must be delivered at or prior to 10:00 a.m., (New York City time), on the Tender Date to the Tender Agent at its Principal Office for delivery of Bonds accompanied by an instrument of transfer, in form satisfactory to the Tender Agent executed in blank by the Bondholder or its duly-authorized attorney, with such signature guaranteed in form satisfactory to the Tender Agent.

During any Weekly Interest Rate Period for which the book-entry-only system is in effect, any Bonds bearing interest at the Weekly Interest Rate or portion thereof (provided that the principal amount of such Bonds to be purchased and the principal amount to be retained shall each be in Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the Participant, shall be delivered on any Business Day by the Participant for such Bonds to the Tender Agent at its Principal Office for the delivery of such Bonds, to the Trustee at its Principal Office and to the Remarketing Agent. That notice shall state the principal amount of such Bonds (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day at least seven days after the date of delivery of such notice to the Tender Agent, the Trustee and the Remarketing Agent. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Bonds at least equal to the amount of Bonds specified in such irrevocable written notice, payment of the Tender Price of such Bonds

shall be made by 4:00 p.m., (New York City time), or as soon as practicably possible thereafter, upon the receipt by the Trustee of the Tender Price as set forth in the Indenture on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Bonds tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 10:00 a.m., (New York City time), on the date specified in such notice.

(b) During Daily Interest Rate Period. During any Daily Interest Rate Period, any Bonds (other than a Bank Bond) bearing interest at a Daily Interest Rate shall be purchased in an Authorized Denomination (provided that the amount of any such Bonds not to be purchased shall also be in an Authorized Denomination) from its Bondholder at the option of the Bondholder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of Bonds, to the Trustee at its Principal Office and to the Remarketing Agent, by no later than 9:00 a.m. (New York City time) on such Business Day, of an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed by telecopy or other writing, which states the principal amount of such Bonds to be purchased and the date of purchase. For payment of such purchase price on the date specified in such notice, such Bonds must be delivered, at or prior to 10:00 a.m. (New York City time), on such Business Day, to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender Agent, executed in blank by the Bondholder thereof or its duly-authorized attorney, with such signature guaranteed in form satisfactory to the Tender Agent.

During any Daily Interest Rate Period for which the book-entry-only system is in effect, any Bonds bearing interest at the Daily Interest Rate or portion thereof (provided that the principal amount of such Bonds to be purchased and the principal amount to be retained shall each be an Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the Participant, shall be delivered on any Business Day by the Participant for such Bonds to the Tender Agent at its Principal Office for the delivery of such Bonds, to the Trustee at its Principal Office and to the Remarketing Agent prior to 9:00 a.m. (New York City time). That notice shall state the principal amount of such Bonds (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Bonds at least equal to the amount of Bonds specified in such irrevocable written notice, payment of the Tender Price of such Bonds shall be made by 4:00 p.m. (New York City time), or as soon as practicably possible thereafter, upon the receipt by the Trustee of the Tender Price as set forth in the Indenture on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Bonds tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 10:00 a.m. (New York City time) on the date specified in such notice.

(c) Mandatory Tender for Purchase on Day Next Succeeding Last Day of Each Bond Interest Term. On the first day following the last day of each Bond Interest Term unless such day is the first day of a new Interest Rate Period (in which case a Bond shall be subject to mandatory purchase pursuant to the Indenture), a Bond shall be subject to mandatory tender for purchase at the Tender Price, payable by electronic transfer in immediately available funds, if such Bonds is delivered to the Tender Agent on or prior to 10:00 a.m. (New York City time) on the Tender Date, or if delivered after 10:00 a.m. (New York City time), on the next succeeding Business Day. Interest shall cease to accrue on such Bonds on the last day of each Bond Interest Term. The Tender Price shall be payable only upon surrender of such Bonds to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder or its duly-authorized attorney, with such signature guaranteed in form satisfactory to the Tender Agent.

(d) Mandatory Tender for Purchase on a Conversion between Interest Rate Periods. Any affected Bonds shall be subject to mandatory tender for purchase at the Tender Price on the Conversion Date at the Tender Price, payable in immediately available funds in accordance with the Indenture. For payment of the Tender Price on the Tender Date, a Bond must be delivered at or prior to 10:00 a.m. (New

York City time) on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day.

(e) Mandatory Tender Upon Expiration of the Letter of Credit. The Bonds will be subject to mandatory tender for purchase on the **5th** Business Day prior to the Expiration Date of Letter of Credit if the Trustee has not received by the **30th** day preceding the scheduled expiration or termination date either written confirmation by the Letter of Credit Provider of an extension of the then existing Letter of Credit or an Alternate Letter of Credit meeting the requirements set forth in the Indenture. The Trustee shall draw as necessary on the existing Letter of Credit in accordance with the terms of the Indenture rather than the Alternate Letter of Credit, and the Trustee shall not surrender the existing Letter of Credit until the mandatory tender and purchase of the Bonds has been effected pursuant to this subsection.

(f) Mandatory Tender Upon Substitution of Alternate Letter of Credit. The Bonds will be subject to mandatory tender for purchase on the date of substitution of an Alternate Letter of Credit for the then existing Letter of Credit. If a purchase of Bonds is effected pursuant to this subsection, the existing Letter of Credit, if necessary, will be used to provide funds for such purchase, rather than the Alternate Letter of Credit, and the Trustee shall not surrender the existing Letter of Credit until the purchase of the Bonds has been effected pursuant to this subsection. No such mandatory tender will be effected upon the replacement of a Letter of Credit in the case where the Letter of Credit Provider has wrongfully dishonored a drawing under the Letter of Credit.

(g) Mandatory Tender Upon Event of Default Under Reimbursement Agreement. The Bonds will be subject to mandatory tender for purchase on the **4th** day (or if such day is not a Business Day, the **1st** Business Day preceding such day) following receipt by the Trustee of written notice from the Letter of Credit Provider, as provided in the Reimbursement Agreement, stating that an Event of Default has occurred and is continuing under the Reimbursement Agreement and directing the Trustee to give notice that all of the Bonds Outstanding will be deemed tendered for purchase under this Section and directing the Trustee draw on the Letter of Credit to pay the Tender Price of such Bonds on the mandatory tender date.

Payment of the Tender Price of any such Bonds shall be made in immediately available funds by 4:00 p.m. (New York City time) on the Tender Date upon delivery of such Bonds to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder with the signature of such Bondholder guaranteed in form satisfactory to the Tender Agent, by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m. (New York City time) on the Tender Date specified in the Indenture. If, as a result of any such expiration, termination with notice or replacement of such a Letter of Credit, any Bonds are no longer subject to purchase pursuant to a Letter of Credit, the Tender Agent (upon receipt from the Holder thereof in exchange for payment of the Tender Price thereof) shall present such Bonds to the Trustee for notation of such fact thereon.

(h) Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of Bonds in accordance with (c) through (g) above, the Trustee shall give the notice. Such notice shall state (i) in the case of a mandatory tender for purchase pursuant to (d) above such Interest Rate Period shall commence on the mandatory purchase date; (ii) in the case of a mandatory tender for purchase pursuant to subsection (e), the identity of the Alternate Letter of Credit and its rating, and (iii) in the case of a mandatory tender for purchase pursuant to (e) above, that the Letter of Credit will expire or terminate and that the Bonds will no longer be payable from the Letter of Credit then in effect and that any rating applicable to such Bonds may be reduced or withdrawn; (iv) that the Tender Price of any Bonds subject to mandatory tender for purchase shall be payable only upon surrender of that Bond to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (v) that, provided that moneys sufficient to effect such purchase shall have been provided through the remarketing of such Bonds by the Remarketing Agent, through the Letter of Credit or funds provided by the Issuer, all Bonds subject to mandatory tender for purchase shall be purchased on the Tender Date; and (vi) that if any Holder of a Bond subject to mandatory tender for purchase does not surrender the Bonds to

the Tender Agent for purchase on the mandatory Tender Date, then the Bonds shall be deemed to be Undelivered Bonds, that no interest shall accrue on the Bonds on and after the mandatory Tender Date and that the Holder shall have no rights under the Indenture other than to receive payment of the Tender Price.

(i) Irrevocable Notice Deemed to be Tender of Bonds; Undelivered Bonds.

(A) The giving of notice by a Holder of Bonds as provided for optional tender pursuant to the Indenture shall constitute the irrevocable tender for purchase of each Bond with respect to which such notice is given regardless of whether that Bond is delivered to the Tender Agent for purchase on the relevant Tender Date.

(B) The Tender Agent may refuse to accept delivery of any Bonds for which a proper instrument of transfer has not been provided. However, such refusal shall not affect the validity of the purchase of such Bonds as described in the Indenture. If any Holder of a Bond who has given notice of optional tender of purchase or any Holder of a Bond subject to mandatory tender for purchase pursuant to (c), (d), (e), (f) or (g) above, shall fail to deliver that Bond to the Tender Agent at the place and on the Tender Date and at the time specified, or shall fail to deliver that Bond properly endorsed, that Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the Holder thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (a) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Indenture; (b) interest shall no longer accrue on the Undelivered Bond; and (c) funds in the amount of the Tender Price of the Undelivered Bond shall be held uninvested by the Trustee for the benefit of the Holder thereof (provided that the Holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its Principal Office for delivery of Bonds.

(j) Payment of Tender Price by Issuer. If all or a portion of the Bonds tendered for purchase cannot be remarketed and the Letter of Credit Provider fails to purchase all or any part of the unremarketed portion of such tendered Bonds in accordance with the Letter of Credit on a Tender Date, the Issuer may at its option, but shall not be obligated to, pay to the Tender Agent as soon as practicable on a Tender Date immediately available funds (together with any remarketing proceeds and any funds provided under the Letter of Credit) sufficient to pay the Tender Price on the Bonds tendered for purchase. The Tender Agent shall deposit the amount paid by the Issuer, if any, in the Issuer Purchase Account, pending application of the money to the payment of the Tender Price as set forth in the Indenture.

Letter of Credit. The initial Letter of Credit issued by the Letter of Credit Provider and delivered to the Trustee authorizes the Trustee, while the Bonds are in a Daily Interest Rate Period or a Weekly Interest Rate Period and subject to the terms and conditions thereof, to draw funds in an amount up to the principal amount outstanding of the Bonds and up to 39 days' interest on the Bonds (calculated at the Maximum Bond Interest Rate) for the payment of (a) the principal of and interest on the Bonds when due and payable on any Payment Date, and (b) the Tender Price of Bonds that have been tendered for purchase and for which proceeds of remarketing have not been received. The Trustee shall hold the Letter of Credit for the benefit of the Owners or purchasers of the Bonds until the Letter of Credit expires or terminates in accordance with its terms or an Alternate Letter of Credit is substituted for the Letter of Credit under the Indenture. If at any time during the term of the Letter of Credit the Trustee resigns or is removed, and a successor Trustee is appointed and qualified under the Indenture, the Trustee that is resigning or being removed shall request that the Letter of Credit Provider transfer the Letter of Credit to the successor Trustee, and shall take all actions necessary to effect the transfer of the Letter of Credit to the successor Trustee.

The Issuer shall cause the Letter of Credit to be continuously maintained in full force and effect (except when the Bonds are converted to the Fixed Interest Rate without a Letter of Credit) in an amount equal to the principal amount of the Outstanding Bonds plus the amount required for interest thereon, until all of the Bonds have been paid in full or their payment is provided for in accordance with Article X of the Indenture. If the Bonds are converted from a Weekly Interest Rate Period to another Interest Rate Period and a Letter of Credit will be in effect after the Conversion Date, the stated coverage of the Letter of Credit must first be increased to include such number

of days of interest on the Bonds as may be required by each Rating Agency to maintain the current ratings assigned to the Bonds. The Issuer will exercise its best efforts to extend the term of the Letter of Credit currently in effect or to cause an Alternate Letter of Credit to be delivered by the Letter of Credit Provider to the Trustee prior to the expiration or termination date of the Letter of Credit then in effect pursuant to the provisions of this Article. The Issuer covenants that for so long as (i) the Letter of Credit has not expired or been terminated or cancelled, or (ii) there are any Bank Bonds or other amounts owed to the Letter of Credit Provider under the Reimbursement Agreement, it will at all times cause the Bonds to be eligible for, and to be registered with, DTC's (or such other Securities Depository acceptable to the Letter of Credit Provider) Book-Entry System and that such registration with DTC shall not be discontinued without the Letter of Credit Provider's prior written consent.

If the Issuer has provided for the extension of the stated expiration of the Letter of Credit then in effect, the Issuer shall give written notice of such extension to the Trustee at least 30 days prior to the stated expiration of the Letter of Credit then in effect.

Whenever a Letter of Credit is in effect, the Trustee shall draw amounts on the Letter of Credit in accordance with the terms and conditions set forth therein at the times, in the manner and for the purposes set forth in the Indenture to the extent necessary to make full and timely payment of the principal of and interest on the Bonds or Tender Price of Bonds in accordance with the Indenture and the Bonds, except that the Trustee may not draw on the Letter of Credit to pay Bank Bonds or Issuer Bonds. All amounts drawn on the Letter of Credit shall be held by the Trustee in the Debt Service Fund or the Letter of Credit Purchase Account in the Bond Purchase Fund, as applicable, and used only for the purposes set forth herein. Any amounts deposited in the Letter of Credit Purchase Account and not needed with respect to any purchase date for payment of the Tender Price shall be immediately returned to the Letter of Credit Provider and until such transfer, be held in trust for the exclusive benefit of the Letter of Credit Provider. In drawing on the Letter of Credit, the Trustee will be acting on behalf of the Bondholders or purchasers by facilitating payment of their Bonds and not on behalf of the Issuer and will not be subject to its control. In the event the Letter of Credit Provider fails to honor a properly presented drawing on the Letter of Credit, the Trustee shall provide notice thereof to the Issuer, which notice shall demand payment by the Issuer, pursuant to its obligations in the Indenture, of any and all amounts then due and payable with respect to the Bonds.

(a) Requests to Pay Tender Price. If the Trustee has not received remarketing proceeds from the Remarketing Agent which are sufficient to pay the Tender Price pursuant to the Indenture on a Tender Date on which Bonds are required to be purchased pursuant to the Indenture, the Trustee shall draw on the Letter of Credit in accordance with its terms, at the times and in the manner required to receive immediately available funds on the Tender Date sufficient to pay the balance of the Tender Price, taking into account proceeds of remarketing that are on deposit. The Trustee agrees to deposit the proceeds of such draws in the Letter of Credit Purchase Account pending application of that money to the payment of the Tender Price. In determining the amount of the Tender Price then due, the Trustee shall not take into consideration any Bank Bonds or Issuer Bonds. No draws shall be made under any Letter of Credit to pay the Tender Price of Bank Bonds or of Bonds which are registered in the name of the Issuer or any portions thereof not covered by such Letter of Credit, or, to the best knowledge of the Tender Agent or any nominees for (or any Person who owns such Bonds for the sole benefit of) any of the foregoing.

(b) Surrender of Letter of Credit. If an Alternate Letter of Credit is delivered to the Trustee pursuant to the Indenture with the documents required by the Indenture, then the Trustee shall accept the Alternate Letter of Credit and surrender the Letter of Credit previously held for cancellation, provided that no Letter of Credit shall be surrendered until after the date on which any Bonds required to be purchased pursuant to the Indenture have been purchased or deemed purchased in accordance with the Indenture. If a Letter of Credit automatically terminates or is no longer required to be maintained hereunder, the Trustee shall surrender such Letter of Credit to the issuer thereof for cancellation in accordance with the terms of the Letter of Credit. Upon the defeasance of any Bonds pursuant to the Indenture and if and to the extent, at such time, any portion of the Bonds are no longer subject to tender for purchase, the Trustee shall surrender the Letter of Credit to the Letter of Credit Provider for cancellation or reduction in accordance with the terms of that Letter of Credit. The Trustee shall comply with the procedures set forth in each Letter of Credit relating to the termination thereof and shall deliver any certificates reducing the stated amount of the Letter of Credit in accordance with the provisions thereof.

(c) Notices from Issuer and Trustee. The Issuer shall give notice to the Trustee, the Remarketing Agent, the Tender Agent and the Letter of Credit Provider promptly upon the occurrence of any of the following events: (i) the extension of the Expiration Date; (ii) the execution of an Alternate Letter of Credit; and (iii) the appointment of a successor to any of the Letter of Credit Provider, the Remarketing Agent or the Tender Agent.

Notices from Trustee to Holders of Bonds. The Trustee shall, promptly upon receipt of notice from: (i) the Issuer of the occurrence of any of the events listed above, give notice to the Holders of Outstanding Bonds of the occurrence of that event and (ii) the Letter of Credit Provider of notice of an Event of Default under the Reimbursement Agreement, give notice to the Issuer, the Tender Agent, the Remarketing Agent, the Letter of Credit Provider and the Holders of Outstanding Bonds of the occurrence of the Event of Default under the Reimbursement Agreement.

Alternate Letter of Credit.

(a) Delivery by Issuer.

(i) Prior to the expiration or termination of a Letter of Credit relating to the Bonds, in accordance with the terms of that Letter of Credit, the Issuer may provide for the delivery to the Trustee of an Alternate Letter of Credit which has a term of at least 364 days. Any Alternate Letter of Credit delivered to the Trustee pursuant to the Indenture shall be delivered and become effective not later than 10 days prior to the date on which the former Letter of Credit terminates or expires and shall contain administrative provisions reasonably acceptable to the Trustee and the Remarketing Agent. On or prior to the date of the delivery of the Alternate Letter of Credit to the Trustee, the Issuer shall furnish to the Trustee (a) if the Alternate Letter of Credit is issued by a Letter of Credit Provider other than a domestic commercial bank, an opinion of Counsel reasonably satisfactory to the Issuer, the Trustee and the Remarketing Agent that no registration of the Alternate Letter of Credit is required under the Securities Act, and no qualification of the Indenture is required under the Trust Indenture Act, or that all applicable registration or qualification requirements have been fulfilled and (b) an opinion of Counsel satisfactory to the Issuer, the Trustee and the Remarketing Agent to the effect that such Alternate Letter of Credit is a valid and enforceable obligation of the issuer thereof.

(ii) In lieu of the opinion of Counsel required by clause (a) of subparagraph (i) above, there may be delivered an opinion of Counsel reasonably satisfactory to the Issuer, the Remarketing Agent and the Trustee to the effect that either (a) at all times during the term of the Alternate Letter of Credit, the applicable Bonds will be offered, sold and held by Holders in transactions not constituting a public offering of such Bonds or the Alternate Letter of Credit under the Securities Act, and accordingly no registration under the Securities Act, nor qualification of the Indenture under the Trust Indenture Act, will be required in connection with the issuance and delivery of the Alternate Letter of Credit or the remarketing of the Bonds with the benefits thereof, or (b) the offering and sale of the Bonds, to the extent evidencing the Alternate Letter of Credit, has been registered under the Securities Act and any indenture required to be qualified with respect thereto under the Trust Indenture Act has been so qualified. If the opinion described in clause (a) of this subparagraph (ii) is given, the Bonds and any transfer records relating to the Bonds shall be noted indicating the restrictions on sale and transferability described in clause (a).

(b) Delivery upon Rating Downgrade. In the event that the Letter of Credit Provider is downgraded below the top two short-term ratings by S&P, Moody's or Fitch, the Issuer may provide for delivery of an Alternate Letter of Credit. Any Alternate Letter of Credit delivered to the Trustee pursuant to this subparagraph shall contain administrative provisions reasonably acceptable to the Tender Agent.

(c) Acceptance by Trustee. If at any time there is delivered to the Trustee (i) an Alternate Letter of Credit covering all of the Bonds, (ii) the information, opinions and data required by the Indenture, and (iii) all information required to give the notice of mandatory tender for purchase of the applicable

Bonds, then the Trustee shall accept such Alternate Letter of Credit and, after the date of the mandatory tender for purchase established pursuant to the Indenture, promptly surrender the Letter of Credit then in effect to the issuer thereof for cancellation in accordance with its terms.

(d) Notice of Termination. The Trustee shall give notice to the Tender Agent and the Remarketing Agent and the Holders of the affected Bonds of the termination or expiration of any Letter of Credit in accordance with its terms as provided in the Indenture.

Rights and Duties under Letter of Credit. The Trustee agrees without further direction, to make draws under each Letter of Credit then in effect, if any, for the payment or purchase of Bonds in accordance with the terms and conditions set forth in the Indenture and that Letter of Credit at the times, in the manner and for the purposes set forth herein and therein.

Notice of Termination of Letter of Credit or Event of Default under the Reimbursement Agreement. The Trustee shall give notice by mail to the Holders of the Bonds secured by a Letter of Credit (i) on or before the 15th day preceding the replacement, termination or expiration of such Letter of Credit (except in the case of a termination resulting from an event referred to in subsection (ii)) in accordance with its terms, or (ii) in the case of written notice from the Letter of Credit Provider that an “Event of Default” has occurred under the Reimbursement Agreement, as soon as reasonably possible, but no later than the Business Day following the receipt by the Trustee of such notice from the Letter of Credit Provider. The notice shall be accompanied by directions for the tender and purchase of the Bonds covered by the Letter of Credit. Notwithstanding the foregoing, the Bonds shall not be subject to purchase under the Indenture in the case of an acceleration draw on the Letter of Credit as directed by the Letter of Credit Provider. The Issuer shall provide the Trustee with written notice of any information required to enable the Trustee to give the foregoing notice.

Remarketing Agent; Tender Agent.

(a) Remarketing Agent. Each Remarketing Agent appointed by the Issuer shall designate its Principal Office in the Remarketing Agreement. The Remarketing Agent shall signify its acceptance of the duties and obligations imposed upon it under the Indenture by a written instrument of acceptance delivered to the Issuer, the Trustee, the Tender Agent and the Letter of Credit Provider, under which the Remarketing Agent shall agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer, the Trustee, the Tender Agent and the Letter of Credit Provider at all reasonable times.

(b) Tender Agent. Each Tender Agent appointed by the Issuer shall designate its Principal Office for delivery of notices and delivery of Bonds and signify its acceptance of the duties and obligations imposed upon it under the Indenture by a written instrument of acceptance delivered to the Issuer, the Trustee, the Letter of Credit Provider and the Remarketing Agent. At all times while the Bonds are payable from a Letter of Credit, the Tender Agent shall at all times be the Trustee. By acceptance of its appointment under the Indenture, the Tender Agent agrees: (i) to hold all Bonds delivered to it pursuant to the Indenture as agent and bailee of, and in escrow for the benefit of, the respective Holders which have delivered such Bonds until money representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Holders; (ii) to hold all Bonds registered in the name of the new Holders thereof which have been delivered to it by the Trustee for delivery to the Remarketing Agent in accordance with the Indenture; (iii) to hold Bonds for the account of the Issuer and Bank Bonds for the account of the Letter of Credit Provider as stated in the Indenture; (iv) to register and deliver Bank Bonds on behalf of the Letter of Credit Provider as stated in the Indenture; and (v) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer, the Trustee, the Letter of Credit Provider and the Remarketing Agent at all reasonable times.

Qualifications of Remarketing Agent and Tender Agent; Resignation and Removal of Remarketing Agent and Tender Agent.

(a) Remarketing Agent. Each Remarketing Agent shall be a corporation or other legal entity organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to perform all duties imposed upon the Remarketing Agent by the Indenture and the Remarketing Agreement, and shall be either (a) a member of the National Association of Securities Dealers, Inc. and registered as a Municipal Securities Dealer under the Securities Exchange Act, or (b) a national banking association, commercial bank or trust company. A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving notice to the Issuer, the Trustee, the Tender Agent and the Letter of Credit Provider. Such resignation shall take effect on the 30th day after the receipt by the Issuer of the notice of resignation. A Remarketing Agent may be removed at any time on 15 days prior written notice by an instrument signed by the Issuer and approved by the Letter of Credit Provider (which consent shall not be unreasonably withheld), and delivered to such Remarketing Agent, the Trustee and the Tender Agent. Notwithstanding the provisions of this paragraph, any removal of the Remarketing Agent shall not take effect prior to the date that a successor Remarketing Agent acceptable to the Letter of Credit Provider has been appointed by the Issuer and has accepted such appointment. In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Issuer covenants and agrees to use its best efforts to maintain a Remarketing Agent that meets the requirements of the Indenture.

The Trustee, within **30** days of the resignation or removal of the Remarketing Agent or the appointment of a successor Remarketing Agent, shall give notice thereof by registered or certified mail to the Letter of Credit Provider, to the applicable Rating Agency and to the registered owners of the Bonds.

(b) Tender Agent. Throughout the term of the Indenture, the Trustee and the Tender Agent shall be the same commercial bank with trust powers or a trust company duly organized under the laws of the United States of America or any state or territory thereof having a reported capital (exclusive of borrowed capital) plus surplus of not less than \$100,000,000, or consideration may be given by the Issuer to a bank not meeting this amount if the bank submits an acceptable form of guarantee for its financial obligations to the Issuer, and authorized by law to perform all the duties imposed upon it by the Indenture. A Tender Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 60 days' notice to the Issuer, the Letter of Credit Provider and the Remarketing Agent. A Tender Agent may be removed at any time by an instrument signed by the Issuer and filed with the Trustee. However, such resignation or removal shall not take effect prior to the date that a successor Tender Agent has been appointed by the Issuer and has accepted such appointment, such appointment has been approved by the Letter of Credit Provider and the Letter of Credit, if any, has been transferred, in accordance with its terms, to that successor. Should no successor Tender Agent be appointed as aforesaid within 45 days of the date of the instrument of resignation or removal, the resigning or removed Tender Agent may petition a court of competent jurisdiction for the appointment of a successor.

Notice of Bonds Delivered for Purchase; Purchase of Bonds; Deposit of Tender Price.

(a) Determination by Tender Agent; Notice of Tender. The Tender Agent shall determine timely and proper delivery of Bonds pursuant to the Indenture and the proper endorsement of Bonds delivered. That determination shall be binding on the Holders of those Bonds, the Issuer, the Letter of Credit Provider and the Remarketing Agent, absent manifest error.

(b) Purchase of Bonds; Sources and Deposits of Tender Price. Bonds required to be purchased in accordance with the Indenture shall be purchased from the Holders thereof, on the Tender Date and at the Tender Price. Funds for the payment of the Tender Price shall be received by the Tender Agent from the following sources and used in the order of priority indicated:

(i) proceeds of the sale of Bonds remarketed pursuant to the Indenture and the Remarketing Agreement which shall be furnished to the Tender Agent by the Remarketing Agent for deposit into the Remarketing Account of the Bond Purchase Fund;

(ii) money furnished by the Letter of Credit Provider to the Tender Agent for deposit into the Letter of Credit Purchase Account of the Bond Purchase Fund, from Requests on the Letter of Credit, if any (provided that moneys from Requests on the Letter of Credit shall not be used to purchase Bank Bonds or Issuer Bonds); and

(iii) money, if any, furnished by the Issuer at its option to the Tender Agent for deposit into the Issuer Purchase Account of the Bond Purchase Fund for the purchase of Bonds by the Issuer.

Money held in the Bond Purchase Fund shall be held uninvested by the Tender Agent.

(c) Undelivered Bonds; Tender Price. If a Bond purchased as provided in the Indenture is not presented to the Tender Agent, the Tender Agent shall segregate and hold uninvested the money for the Tender Price of such Tender Bond in trust for the benefit of the former Holder of such Bonds, who shall, except as provided in the following sentences of this paragraph, thereafter be restricted exclusively to such money for the satisfaction of any claim for the Tender Price. Any money which the Tender Agent segregates and holds in trust for the payment of the Tender Price of any Bonds which remains unclaimed for two years after the date of purchase shall be paid to the Issuer, without liability for interest thereon. After the payment of such unclaimed money to the Issuer, the former Holder of such Bonds shall look only to the Issuer for the payment thereof. The Issuer shall not be liable for any interest on unclaimed money and shall not be regarded as a trustee of such money.

Delivery of Bonds.

(a) Bonds purchased with money from the remarketing of the Bonds shall be made available by the Tender Agent to the Remarketing Agent for delivery to the purchasers thereof against payment therefor in accordance with the Indenture.

(b) Bonds purchased with money from the Letter of Credit Provider shall constitute Bank Bonds and shall be registered in the name of the Letter of Credit Provider or its nominee as designated in writing by the Letter of Credit Provider. The Issuer, or the Trustee on behalf of the Issuer, shall procure no later than the date of any such purchase by the Letter of Credit Provider, a separate CUSIP number (or numbers) to be assigned solely to such Bank Bonds, accompanied by a cover sheet identifying the current rating (or shadow rating) of the Bonds associated with such CUSIP number(s). If the Bank Bonds are Book Entry Bonds, the pledge of such Bonds shall be reflected by crediting the account of the Letter of Credit Provider, or if directed in writing by the Letter of Credit Provider or other nominee or designee of the Letter of Credit Provider, maintained at the Securities Depository, and such Bonds shall be registered in the name of the Letter of Credit Provider or its nominee or designee on the bond register; otherwise, the Bank Bonds shall be delivered in certificated form to the Letter of Credit Provider or its nominee or designee; all as and to the extent provided in the Pledge and Security Agreement.

(c) Bonds purchased with money provided by the Issuer shall be held in escrow by the Tender Agent for the account of the Issuer until the Tender Agent receives further instructions from the Issuer regarding disposition of those Issuer Bonds.

(d) Bonds delivered as provided in this Section shall be registered in the manner directed by the recipient thereof.

(e) When any Bank Bonds are remarketed, the Tender Agent or any nominee or designee of the Letter of Credit Provider shall not release Bonds so remarketed to the Remarketing Agent until the Tender Agent has received and forwarded to the Letter of Credit Provider the proceeds of such remarketing, the Letter of Credit Provider has received payment of all amounts owed under the

Reimbursement Agreement in connection with the sale of such Bank Bonds and (unless the Letter of Credit is no longer to remain in effect) the Tender Agent has received written notice from the Letter of Credit Provider that the Letter of Credit has been reinstated to the Stated Amount (as defined in the Reimbursement Agreement).

Inadequate Funds for Tenders. If sufficient funds are not available for the purchase of any Bonds of a Series of Bonds tendered or deemed tendered and required to be purchased on any Tender Date, all Bonds of such Series shall be returned to their respective Holders and the Trustee shall notify all Holders of Bonds of such Series of such event. Thenceforth, all such Bonds of that Series shall bear interest at the lesser of the One Month LIBOR Rate plus three percent and the Maximum Bond Interest Rate from the date of such failed purchase until all such Bonds are purchased as required in accordance with this Indenture, either from proceeds obtained from remarketing proceeds from the Remarketing Agent or proceeds obtained from the Letter or Credit or an Alternate Letter of Credit obtained by the Issuer. Notwithstanding any other provision of the Indenture, such failed purchase and return shall not constitute an Event of Default.

Creation of Funds and Accounts. The Indenture creates in the custody of the Trustee the following special trust funds, accounts and sub-accounts with respect to the Bonds, to be designated as follows:

- (a) **“Project Fund,”** and within such fund two separate and segregated trust accounts designated the **“Costs of Issuance Account”** and the **“Series 2009D Project Account”** within the Costs of Issuance Account a Series 2009C Subaccount and a Series 2009D Subaccount.
- (b) **“Debt Service Fund,”** and within such fund five separate and distinct accounts to be designated the **“Eligible Moneys Account,” “Non-Eligible Moneys Account,” the “Letter of Credit Account,” the “Swap Account,” and the “Redemption Account”;**
- (c) **“Revenue Fund”** and within such fund two separate and segregated trust accounts designated as the **“TIF Revenues Account,” and “City Revenue Account.”**
- (d) **“Refunding Fund,”**
- (e) **“Rebate Fund”** and
- (f) a **“Collateral Fund”** and within such Fund a separate account for any Bonds with respect to which a Qualified Swap Agreement has been entered into.

In addition, the following funds and accounts shall be established, maintained and administered by the Tender Agent pursuant to the Indenture:

“Bond Purchase Fund,” and within such fund three separate and segregated trust accounts designated the **“Remarketing Account,” the “Letter of Credit Purchase Account” and the “Issuer Purchase Account.”**

All moneys deposited with or paid to the Trustee for the funds and accounts held under the Indenture shall be held by the Trustee in trust and shall be applied only in accordance with the provisions of the Indenture and the Financing Agreement, and, until used or applied as herein provided, and except as provided in the Indenture, shall constitute part of the Trust Estate and be subject to the lien, terms and provisions of the Indenture and shall not be commingled with any other funds of the Issuer except as provided under the Indenture for investment purposes.

Project Fund.

Series 2009D Project Account. Moneys in Project Fund shall be used for the purpose of paying Costs of the Project, as provided in this Section and in accordance with the approved plans and specifications for the project as more fully described in the Redevelopment Agreement, including any alterations in or amendments to such plans and specifications for the project approved in accordance with the Financing Agreement and the Redevelopment Agreement. The Trustee shall disburse moneys on deposit in the Series 2009D Project Account from time to time to pay or as reimbursement for payment made for the Costs of the Project (other than Costs of Issuance), in each case

within 3 Business days after receipt by the Trustee of written disbursement requests. In making payments pursuant to this Section, the Trustee may rely upon such written requests and accompanying certificates and statements and shall not be required to make any independent investigation in connection therewith. The Trustee shall keep and maintain adequate records pertaining to the Series 2009D Project Account and all disbursements therefrom.

If after payment by the Trustee of all disbursement requests theretofore tendered to the Trustee under the provisions of this Section, there shall remain any moneys in the Project Account, such moneys shall be deposited in the Debt Service Fund and applied to redeem Bonds at the earliest permissible date under the Indenture.

If an event of default specified in the Indenture has occurred and is continuing and the Bonds have been declared due and payable pursuant to the Indenture, any balance remaining in the Series 2009D Project Account, shall without further authorization be deposited in the Debt Service Fund by the Trustee and with advice of the Issuer of such action.

Costs of Issuance Account. Moneys on deposit in the Costs of Issuance Account shall be used solely for the purpose of paying Costs of Issuance, as provided in this Section. The Trustee shall pay out of the appropriate account of the Costs of Issuance Account upon receipt of written disbursement requests of the Issuer, amounts equal to the amount of Costs of Issuance certified in such written requests to be paid or reimbursed from the account designated therein. The Trustee shall be entitled to rely conclusively upon each such written disbursement request, without inquiry or investigation. At such time as the Trustee is furnished with a certificate signed by a Issuer Representative stating that all Costs of Issuance have been paid, and in any case not later than six months from the date of original issuance of the Bonds, the Trustee shall transfer any moneys remaining in the Costs of Issuance Account to the Eligible Moneys Account of the Debt Service Fund.

Revenue Fund.

(a) The Issuer and the Commission shall transfer or cause to be transferred all Revenues to the Trustee for deposit into the Revenue Fund in accordance with the Financing Agreement and the Indenture. Moneys shall be deposited into the accounts of the Revenue Fund as follows:

(i) **TIF Revenues Account.** Payments in Lieu of Taxes, if any, and Economic Activity Tax Revenues shall be deposited as and when received by the Trustee into the TIF Revenues Account of the Revenue Fund.

(ii) **City Revenue Account.** On the Business Day prior to any Interest Payment Date, or a date on which the Bonds are subject to mandatory sinking fund redemption pursuant to the Indenture, the Trustee shall notify the Issuer if there are insufficient moneys in the Revenue Fund, together with moneys in the Debt Service Fund to pay an installment of principal and/or interest on the Bonds on the next Interest Payment Date or mandatory sinking fund payment date. Amounts representing City Revenues transferred from the Issuer shall be deposited in the City Revenue Account.

(b) Moneys in the Revenue Fund shall be held in trust and shall be applied by the Trustee first from the TIF Revenues Account, second from the City Revenue Account as follows:

(i) To the Rebate Fund, with respect to the Series 2009C Bonds, when necessary, an amount sufficient to pay rebate, if any, to the United States of America, owed under Section 148 of the Code, as directed in writing by the issuer in accordance with Arbitrage instructions;

(ii) The Trustee shall transfer Eligible Moneys from the Revenue Fund to the Eligible Moneys Account and all other amounts therein to the Non-Eligible Moneys Account of the Debt Service Fund, as applicable, on the Business Day prior to any Interest Payment Date or date on which the Bonds are subject to mandatory sinking fund redemption pursuant to the Indenture hereof the amounts required to pay any principal or interest due on the Bonds or Regularly Scheduled Payments, if any, on such Interest Payment Date or date on which the Bonds are subject to mandatory sinking fund redemption.

(iii) To the Trustee or any Paying Agent, an amount sufficient for the payment of any reasonable fees and expenses which are due and owing to the Trustee or any Paying Agent, upon delivery to the City of an invoice for such amounts, and to the Remarketing Agent, an amount sufficient for payment of its remarketing fees and expenses in accordance with the Remarketing Agreement, upon delivery to the Trustee of an invoice for such amount or to the Rating Agency, an amount sufficient to pay any surveillance fees in connection with the Bonds;

(iv) To the Letter of Credit Provider for payment of fees and expenses in accordance with the Letter of Credit, or to reimburse the Issuer for such payment, unless the Issuer has otherwise been reimbursed for such amounts;

(v) To the Issuer for reimbursement for payment of Debt Service Payments, Regularly Scheduled Payments, if any, and Additional Payments made by the Issuer from City Revenues;

(vi) To the Commission and the Issuer, an amount sufficient to the Commission and the Issuer, an amount sufficient to reimburse the Commission and the Issuer for their reasonable administrative and professional service fees, costs and expenses (including staff time) in connection with the performance of their obligations under the Redevelopment Plan and the Redevelopment Agreement, upon delivery to the Trustee of an invoice for such amounts;

(vii) To the Commission for the payment of reimbursable project costs under the Redevelopment Plan and the Redevelopment Agreement; and

(viii) After each Principal Payment Date, if so directed by the Issuer, to the Redemption Account of the Debt Service Fund, an amount sufficient to redeem Bonds in whole or in part pursuant to the Indenture.

Upon the payment in full of the principal of and interest on the Bonds (or provision has been made for the payment thereof as specified in the Indenture) and the reasonable fees, charges and expenses of the Trustee and any Paying Agent and any amounts due the Letter of Credit Provider, and any other amounts required to be paid under the Indenture, all amounts remaining on deposit in the TIF Revenues Account of the Revenue Fund shall be paid to the Commission for deposit into the Special Allocation Fund.

Transfer of Appropriated Moneys by Issuer.

(a) Subject to annual appropriation, the Issuer shall pay the following amounts, all as “Debt Service Payments” to provide for payment of the principal of, redemption premium, if any, and interest on the Bonds, directly to the Trustee, in immediately available funds, for deposit in the City Revenue Account of the Revenue Fund, on the following dates, and otherwise as set out below:

(i) *Interest:* On or before **11:00 a.m.**, central time, on the Business Day before each Interest Payment Date or any other date that any payment of interest is required to be made in respect of the Bonds pursuant to the Indenture, an amount which is, together with any other moneys available for such purpose in the Revenue Fund, not less than the interest to become due on the Bonds on such Interest Payment Date or other date that interest is due.

(ii) *Principal:* On or before **11:00 a.m.**, central time, on the Business Day before each principal payment date on the Bonds (whether at maturity or upon mandatory sinking fund redemption or acceleration or otherwise), an amount which, together with any other moneys available for such purpose in the Revenue Fund, is not less than the principal due on the Bonds on the next principal payment date by maturity, mandatory sinking fund redemption, acceleration or otherwise.

(iii) *Redemption:* On or before the Business Day preceding the date required by the Indenture, the amount required to redeem Bonds then Outstanding if the Issuer Representative exercises the right to redeem Bonds under any provision of the Indenture or if any Bonds are required to be

redeemed (other than pursuant to mandatory sinking fund redemption provisions) under any provision of the Indenture.

(b) The Issuer shall, subject to the annual appropriation limitations of the Indenture, also pay the following amounts to the following persons when due:

(i) Regularly Scheduled Payments, if any;

(ii) all Payment Obligations, any Early Termination Payment, any Non-Scheduled Payments and all other payments required to be paid by the Issuer under the Indenture and any other Financing Document;

(iii) to the Trustee, when due, all reasonable fees and charges for its services rendered under the Indenture or otherwise with respect to the Bonds, and all reasonable costs and expenses (including without limitation reasonable fees and charges of any Paying Agent, Registrar, counsel, accountant, engineer or other person) incurred in the performance of the duties of the Trustee under the Indenture or otherwise with respect to the Bonds for which the Trustee and other persons are entitled to repayment or reimbursement;

(iv) in the event the Issuer defaults under any of the provisions of the Indenture and the Trustee employs attorneys or incurs other fees, charges and expenses for the collection of required payments or the enforcement of performance or observance of any obligation or agreement on the part of the Issuer contained in the Indenture, the Issuer on demand therefor shall pay to the Trustee, without limitation, the reasonable fees and costs of such attorneys and such other fees, charges and expenses so incurred by the Trustee. The Issuer also shall pay, and, to the extent permitted by law, shall indemnify the Trustee from and against, all costs, expenses and charges, including reasonable counsel fees, incurred for the collection of payments due or for the enforcement or performance or observance of any covenant or agreement of the Issuer under the Indenture or any other Financing Document;

(v) to the Letter of Credit Provider, all amounts due and owing to the Letter of Credit Provider under the terms of the Reimbursement Agreement in accordance with the terms thereof;

(vi) to the Commission, all fees and expenses due and owing under the Redevelopment Agreement and Cooperative Agreement, and

(vii) to the Person or Persons entitled thereto, any other amounts which the Issuer has agreed or is required to pay under the Indenture.

Debt Service Fund.

(a) The Trustee shall deposit and credit to the applicable account in the Debt Service Fund, as and when received, the following:

(i) Accrued interest, if any, received in connection with the sale of the Bonds shall be deposited and credited to the Eligible Moneys Account.

(ii) Debt Service Payments made by the Issuer shall be deposited and credited to the applicable account in the Debt Service Fund.

(iii) All moneys drawn by the Trustee on the Letter of Credit to pay principal, premium, if any, and interest on the Bonds shall be deposited and credited to the Letter of Credit Account and shall not be commingled with any other moneys held by the Trustee.

(iv) Interest and other income derived from the investment of funds on deposit in the Debt Service Fund shall be deposited and credited to the applicable account in the Debt Service Fund.

(v) Regularly Scheduled Payments, if any, made by the Issuer to the Qualified Swap Provider shall be deposited and credited to the Swap Account and shall not be commingled with any other moneys held by the Trustee.

(vi) Regularly Scheduled Payments, if any, made by the Qualified Swap Provider to the Issuer shall be deposited and credited to the Swap Account and shall not be commingled with any other moneys held by the Trustee.

(vii) All other moneys received by the Trustee pursuant to which the Trustee is directed to deposit the same in the applicable account of the Debt Service Fund.

Any amounts paid to the Trustee that do not constitute Eligible Moneys, other than Regularly Scheduled Payments, if any, deposited and credited to the Swap Account, shall be held in the Non-Eligible Moneys Account and shall not be commingled with any other moneys held by the Trustee. At such time as moneys in the Non-Eligible Moneys Account shall constitute Eligible Moneys, they shall be transferred to the Eligible Moneys Account.

Moneys in the Debt Service Fund shall be held in trust and shall be applied in accordance with the provisions of the Indenture (1) to pay the principal of and redemption premium, if any, and interest on the Bonds as the same become due and payable at maturity, upon redemption, by acceleration or otherwise, using moneys in the Letter of Credit Account, the Eligible Moneys Account and the Non-Eligible Moneys Account, in that order, (2) to pay amounts owed to the Letter of Credit Provider using moneys in the Eligible Moneys Account, the Swap Account and the Non-Eligible Moneys Account, in that order, as more fully described below and (3) to pay any Regularly Scheduled Payments, if any, owed to the Qualified Swap Provider using moneys in the Swap Account.

If the Letter of Credit is in effect, the Trustee shall draw on the Letter of Credit the full amount required for the purpose of paying the principal of and interest due and payable on the Bonds (other than Bank Bonds and Issuer Bonds) on each payment date or upon acceleration. Such drawing shall be made in a timely manner under the terms of the Letter of Credit in order that the Trustee may realize funds thereunder in sufficient time to pay Bondholders on the payment dates as provided herein. So long as the Letter of Credit is in force, the Trustee shall deposit all moneys received pursuant to each draw on the Letter of Credit with respect to payment of principal of and interest on the Bonds in the Letter of Credit Account in the Debt Service Fund and shall apply such moneys to the payment of the principal of and interest on or redemption price of Bonds as provided in this Section.

Immediately after moneys are disbursed from the Letter of Credit Account in the Debt Service Fund pursuant to the preceding sentence, the Trustee shall disburse moneys in the Eligible Moneys Account, the Swap Account and the Non-Eligible Moneys Account in the Debt Service Fund, in that order, to reimburse the Letter of Credit Provider under the Reimbursement Agreement for draws on the Letter of Credit that were used for such purpose and to pay obligations owing to the Letter of Credit Provider under the Reimbursement Agreement then due and payable. The Trustee may rely on a certificate from the Letter of Credit Provider that certifies the amounts so owed at any time. In the event of a continuing payment default by the Letter of Credit Provider under the Letter of Credit, or at such time as no Letter of Credit secures the Bonds, the Trustee shall use all moneys then on deposit in the Debt Service Fund (other than on deposit in the Swap Account), first from the Eligible Moneys Account and thereafter, the Swap Account and the Non-Eligible Moneys Account, to pay principal of, and premium, if any, and interest on, the Bonds.

If no Letter of Credit is then in effect, the Trustee shall use moneys received from the Issuer and on deposit in the Debt Service Fund to pay the full amount of principal of and interest due on the Bonds on each payment date.

After payment in full of the principal of, redemption premium, if any, and interest on the Bonds (or after provision has been made for the payment thereof as provided in the Indenture), and the fees, charges and expenses of the Trustee, and any other amounts required to be paid to the Letter of Credit Provider under the Indenture, all amounts remaining in the Debt Service Fund (other than in the Swap Account) shall be paid to the Letter of Credit Provider (to the extent the Letter of Credit Provider certifies to the Trustee that amounts are owed to the Letter of Credit Provider pursuant to the terms of the Reimbursement Agreement) and then to the Issuer. Amounts remaining in the Swap Account received from the Issuer shall be paid to the Qualified Swap Provider.

Notwithstanding any provision contained in the Indenture to the contrary, in addition to any credits resulting from the payment or prepayment of Debt Service Payments from other sources including amounts transferred to the Trustee for deposit in the Revenue Fund:

- (a) moneys deposited in the Debt Service Fund for the payment of interest shall be applied against the obligation of the Issuer to pay interest on the Bonds as the same becomes due;
- (b) moneys deposited in the Debt Service Fund for the payment of principal shall be applied against the obligation of the Issuer to pay the principal on the Bonds as the same becomes due in the order of maturity thereof, except that prepayments for purposes of making an optional deposit into the Debt Service Fund for the redemption of Bonds shall be applied to the principal corresponding to the Bonds to be redeemed or purchased, delivered and cancelled from the proceeds of such optional deposit;
- (c) the principal amount of any Bonds purchased by the Issuer and delivered to the Trustee, or purchased by the Trustee and cancelled, in accordance with the Indenture shall be credited against the obligation of the Issuer to pay principal related to such Bonds so purchased; and
- (d) the investment income accruing to the Debt Service Fund and the amount of any moneys transferred by the Trustee from any other fund held under the Indenture and deposited in the Debt Service Fund as interest or principal shall be applied against the obligation of the Issuer to pay interest or principal, as the case may be, as the same become due.

Bond Purchase Fund. In connection with Bonds subject to an Interest Rate Period, there shall be established with and maintained by the Tender Agent a separate trust fund to be designated the “Bond Purchase Fund.” The Tender Agent shall further establish within the Bond Purchase Fund a separate trust account to be referred to herein as a “Remarketing Account,” a separate trust account to be referred to herein as a “Letter of Credit Purchase Account” and a separate trust account to be referred to herein as an “Issuer Purchase Account.” Each of the Remarketing Account and the Letter of Credit Purchase Account shall be an Eligible Account.

(a) Remarketing Account. Upon receipt of the proceeds of a remarketing of Bonds on a Tender Date pursuant to the Indenture, the Tender Agent shall deposit such proceeds in the Remarketing Account of the Bond Purchase Fund, for application to the Tender Price of such Bonds through remarketing of the Bonds and, if the Tender Agent is not a paying agent with respect to such Bonds, shall transmit such proceeds to the Trustee for such application. Notwithstanding the foregoing, upon receipt of the proceeds of a remarketing of Bank Bonds, the Tender Agent shall immediately pay such proceeds to the Letter of Credit Provider and until the transfer of such proceeds the same shall be held in trust for the exclusive benefit of the Letter of Credit Provider and the Issuer shall have no interest therein.

(b) Letter of Credit Purchase Account. Upon receipt from the Letter of Credit Provider of the immediately available funds transferred to the Tender Agent, the Tender Agent shall deposit such money in the Letter of Credit Purchase Account of the Bond Purchase Fund, for application to the Tender Price of the Bonds required to be purchased on a Tender Date from funds provided by the Letter of Credit Provider to the extent that the money on deposit in the Remarketing Account of the Bond Purchase Fund shall not be sufficient. Any amounts deposited in the Letter of Credit Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Bond shall be immediately returned to the Letter of Credit Provider and until the transfer of such proceeds the same shall be held in trust for the exclusive benefit of the Letter of Credit Provider and the Issuer shall have no interest therein.

(c) Issuer Purchase Account. Upon receipt from the Issuer of any funds for the purchase of tendered Bonds, the Tender Agent shall deposit such money, if any, in the Issuer Purchase Account of the Bond Purchase Fund, as applicable, for application to the Tender Price of the Bonds required to be purchased on a Tender Date from funds of the Issuer to the extent that the money on deposit in the Remarketing Account and the Letter of Credit Purchase Account of the respective Bond Purchase Fund, respectively, shall not be sufficient. Any amounts deposited in the Issuer Purchase Account and not needed

with respect to any Tender Date for the payment of the Tender Price for any Bond shall be immediately returned to the Issuer.

Payments Due on Non-Business Days. In any case where the date of maturity of principal of, redemption premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day other than a Business Day, then payment of principal, redemption premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Nonpresentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Issuer to the owner thereof for the payment of such Bond, shall forthwith terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds in trust, without liability for interest thereon, for the benefit of the owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to said Bond. If any Bond shall not be presented for payment within two years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall repay first to the Letter of Credit Provider, if amounts are owed to it under the Reimbursement Agreement, and then to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Investment of Moneys in Funds.

(a) Any moneys held by the Trustee as a part of any fund or account other than any account of the Debt Service Fund or the Bond Purchase Fund shall be invested or reinvested by the Trustee, to the extent permitted by law as directed in writing by the Issuer Representative, in any Permitted Investments. Any moneys held as a part of the Eligible Moneys Account or the Non-Eligible Moneys Account in the Debt Service Fund shall be invested or reinvested by the Trustee as directed by the Issuer Representative, to the extent permitted by law, in (i) United States Obligations with such maturities as shall be required in order to assure full and timely payment of amounts required to be paid from such account, respectively, which maturities shall, in any event, extend no more than 30 days from the date of acquisition thereof, or (ii) Permitted Investments of the type described in clause (k) of the definition thereof; provided, that any moneys held in the Bond Purchase Fund either shall be held uninvested or shall, at the written direction of the Issuer Representative, be invested in United States Obligations maturing on the next Business Day, or in Permitted Investments of the type described in clause (k) of the definition thereof. Moneys held in the Swap Account and moneys drawn on the Letter of Credit and held by the Trustee in the Letter of Credit Purchase Account in the Debt Service Fund and remarketing proceeds in the Remarketing Account shall be held uninvested. Notwithstanding the foregoing, in the absence of written direction as to investment, the Trustee may invest moneys in any fund or account in Permitted Investments of the type described in clause (k) of the definition thereof. After the Trustee has notice of the existence of an Event of Default, the Trustee shall direct the investment of moneys.

(b) The Trustee may make any and all such investments through its own bond or investment department or the bond or investment department of any bank or trust company under common control with the Trustee. Except as otherwise provided in the Indenture, all such investments shall at all times be a part of the fund or account from which the moneys used to acquire such investments shall have come and all income and profits on such investments shall be credited to, and losses thereon shall be charged against, such fund. The Trustee may pool moneys for investment purposes, except Eligible Moneys held in any fund or account shall not be commingled with Non-Eligible Moneys. All investments under the Indenture shall be registered in the name of the Trustee, as Trustee under the Indenture. All investments under the Indenture shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of investments of funds in the Eligible Moneys Account and the Non-Eligible Moneys Account of the Debt Service Fund, as applicable, whenever the cash balance in such accounts of the Debt Service Fund is insufficient, together with any other funds available therefor, to pay the principal

of, premium, if any, and interest on the Bonds when due or to pay any Payment Obligations. The Trustee shall not be liable or responsible for any reduction in value or loss with respect to any investment made in accordance with the instructions received from Issuer Representative.

All amounts held in the Bond Purchase Fund by the Tender Agent shall be held uninvested and separate and apart from all other funds and accounts.

Rights of the Letter of Credit Provider. So long as any Bonds are entitled to the benefit of a Letter of Credit and the Letter of Credit Provider has not lost its rights pursuant to the Indenture, (a) no consent, direction or waiver received from any owner of a Bond entitled to the benefit of the Letter of Credit shall be effective without the prior written consent of the Letter of Credit Provider, and (b) the Trustee shall be required to accept notice and direction from the Letter of Credit Provider in connection with the exercise of the Trustee's rights with respect to defaults pursuant to the Indenture, such that the Letter of Credit Provider shall be deemed the holder of Bonds in an amount equal to the aggregate principal amount of Bonds entitled to the benefit of the Letter of Credit (and, for purposes of clarification, the Owners of such Bonds shall not be entitled to direct such exercise by the Trustee). If (1) an Event of Default shall occur and be continuing under the Indenture or the Reimbursement Agreement, or (2) the Trustee shall draw on the Letter of Credit to pay the redemption price or the Purchase Price of the Bonds in connection with the redemption or tender in whole or in part of the Bonds, and in either such case the Letter of Credit Provider has provided the Trustee with funds pursuant to the Letter of Credit for the payment in full of principal of or redemption price, if any, of and the interest on the Bonds redeemed, then, and in such event, the Letter of Credit Provider shall be subrogated to all rights theretofore possessed under the Indenture by the Trustee and the Bondowners in respect of which such principal or redemption price, if any, and interest shall have been paid with funds provided by the Letter of Credit Provider and not fully reimbursed to the Letter of Credit Provider. After the payment in full of all Bonds owned by the Bondowners, any reference herein to the holders of the Bonds or to the Bondowners shall mean the Letter of Credit Provider to the extent of those subrogation rights resulting from the payments made pursuant to the Letter of Credit.

Tax Covenants. The Issuer shall not use or permit the use of any proceeds of the Series 2009C Bonds or any other funds of the Issuer, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would adversely affect the exclusion of the interest on any Series 2009C Bond from gross income for federal income tax purposes. The Issuer agrees that so long as any of the Series 2009C Bonds remain Outstanding, it will comply with the provisions of the Tax Compliance Agreement.

The Trustee agrees to comply with the provisions of the Tax Compliance Agreement and any statute, regulation or ruling that may apply to it as Trustee hereunder and relating to reporting requirements or other requirements necessary to preserve the exclusion from federal gross income of the interest on the Series 2009C Bonds. The Trustee from time to time may cause a firm of attorneys, consultants or independent accounts or an investment banking firm to supply the Trustee, with the consent of the Issuer, with such information as the Trustee may request in order to determine in a manner reasonably satisfactory to the Trustee all matters relating to (a) the actuarial yields on the Series 2009C Bonds as the same may relate to any data or conclusions necessary to verify that the Series 2009C Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code, and (b) compliance with the rebate requirements of Section 148(f) of the Internal Revenue Code. Costs and expenses incurred by the trustee in connection with supplying the foregoing information shall be paid from the Revenue Fund.

Events of Default; Defaults.

The occurrence of any one or more of the following events shall constitute an "Event of Default" under the Indenture:

- (a) failure to pay interest on any Bond when due and payable;
- (b) failure to pay any principal of or premium on any Bond when due and payable, whether at stated maturity or pursuant to any redemption requirement under the Indenture;
- (c) failure by the Issuer to observe or perform any other covenant, condition or agreement on its part to be observed or performed in the Indenture or the Bonds, for a period of 30 days after written

notice of such failure shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Letter of Credit Provider or Bondholders of at least 51% of the principal amount of Outstanding Bonds; provided, however, that if such observance or performance requires work to be done, actions to be taken or conditions to be remedied which by its or their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default under this subsection (d) shall be deemed to have occurred or to exist if and so long as the Issuer, as the case may be, shall have commenced such work, action or remediation within such 30-day period and provided written notice thereof to the Trustee and shall diligently and continuously prosecute the same to completion which completion shall occur within 90 days or such other period as agreed to by the Issuer, the Trustee and the Letter or Credit Provider; or

(d) receipt by the Trustee of written notice from the Letter of Credit Provider that an Event of Default under the Reimbursement Agreement (as defined therein) has occurred and is continuing and has not been waived by the Letter of Credit Provider.

Within five days after actual knowledge by a Responsible Officer of the Trustee of an Event of Default under subsection (a) or (b) above, the Trustee shall give written notice, by registered or certified mail, to the Issuer, and, by first-class mail, to the Bondholders.

Acceleration. If an Event of Default under (a) through (c) of the preceding section occurs and is continuing, the Trustee may, and if requested by the Owners of not less than **25%** in principal amount of the Bonds Outstanding shall, by written notice to the Issuer, the Letter of Credit Provider and the Remarketing Agent, immediately declare the principal of all Bonds Outstanding and the interest accrued thereon to the date of acceleration to be due and payable, and upon the date of any such declaration such principal and interest shall become immediately due and payable and interest on the Bonds shall cease to accrue.

If an Event of Default under (d) of the preceding section occurs and is continuing, the Trustee shall, unless otherwise instructed by the Letter of Credit Provider to cause a mandatory tender of the Bonds pursuant to the Indenture, by written notice to the Issuer, the Letter of Credit Provider and the Remarketing Agent, immediately declare the principal of all Bonds Outstanding and the interest accrued thereon to the date of acceleration to be due and payable, and upon any such declaration such principal and interest shall become immediately due and payable and interest on the Bonds shall cease to accrue.

Notwithstanding the foregoing, if the Letter of Credit is in effect and the Letter of Credit Provider is not in default of its payment obligations under the Letter of Credit, then (a) the Trustee upon demand of the Letter of Credit Provider shall so declare the Bonds to be immediately due and payable and the Trustee shall immediately make an acceleration draw on the Letter of Credit in the amount due and payable to the Bondholders the proceeds of which will be immediately applied to pay the Bonds, and (b) in no event shall the principal of and interest on the Bonds be declared due and payable under this Section without receipt by the Trustee of the prior written consent to such action by the Letter of Credit Provider. At the option and written direction of the Letter of Credit Provider, the Trustee shall either accelerate and cancel the Bonds or declare that the Bonds shall be tendered and purchased by the Letter of Credit Provider.

Upon the acceleration of the maturity of the Bonds, by declaration or otherwise, the Trustee shall immediately draw on the Letter of Credit for the aggregate unpaid principal amount of the Bonds and all premiums, if any (but only to the extent permitted therefor in the Letter of Credit) and interest accrued thereon which shall be applied immediately as set forth in the Indenture.

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on any Bonds has been obtained by the Trustee as provided in the Indenture, the Owners of a majority in principal amount of the Bonds Outstanding may, by written notice to the Issuer and the Trustee, rescind and annul such declaration and its consequences if:

- (a) there is deposited with the Trustee a sum sufficient to pay:
 - (1) all overdue installments of interest on all Bonds;

(2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Bonds; and

(3) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(b) all events of default, other than the non-payment of the principal of Bonds which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Indenture.

Notwithstanding the foregoing, if the Letter of Credit is in effect, no declaration of acceleration under this Section shall be annulled and rescinded without (i) receipt by the Trustee of the prior written consent to such action by the Letter of Credit Provider, provided that the Letter of Credit Provider is not then in default of its payment obligations under the Letter of Credit, and (ii) receipt by the Trustee of written evidence from the Letter of Credit Provider that the Letter of Credit has been reinstated to the full stated amount in effect just prior to the Event of Default that triggered the acceleration drawing and that the Letter of Credit Provider has rescinded any declaration of default under the Reimbursement Agreement.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

Other Remedies; Rights of Bondholders. Upon the continuance of an Event of Default, of which the Trustee has been notified, or of which by such section it is required to take notice and if so requested by a Majority of the Bondholders, and if satisfactory indemnity has been furnished to it, the Trustee shall exercise such of the rights and powers conferred by the Indenture or any other Basic Agreement as the Trustee, being advised by counsel, shall deem most effective to enforce and protect the interests of the Bondholders.

No remedy under the Indenture is intended to be exclusive, and to the extent permitted by law each remedy shall be cumulative and in addition to any other remedy under the Indenture or now or hereafter existing. No delay or omission to exercise any right or power shall impair such right or power or constitute a waiver of any Default or Event of Default or acquiescence therein; and each such right and power may be exercised as often as deemed expedient. No waiver by the Trustee or the Bondholders of any Default or Event of Default shall extend to any subsequent Default or Event of Default.

Right of Bondholders to Direct Proceedings. The Letter of Credit Provider or a Majority of the Bondholders shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, the Bonds or any other Basic Agreement or for the appointment of a receiver or any other proceedings under the Indenture or thereunder; provided that such direction shall be in accordance with applicable law and the Indenture and, if applicable any other Basic Agreement, and provided that the Trustee shall be indemnified to its satisfaction, provided further, that the Trustee shall have the right to decline to follow any such direction if the Trustee shall in good faith determine that the proceedings so directed would involve the Trustee in personal liability.

Notwithstanding the foregoing, so long as a Letter of Credit is in effect, the Trustee shall not exercise the remedies provided for under the Indenture without the written direction or consent of the Letter of Credit Provider; provided, that the Letter of Credit Provider has not wrongfully failed to honor a properly presented draw under the Letter of Credit.

Application of Moneys Collected. Any moneys collected by the Trustee pursuant to this Article (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys), together with any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid (provided that remarketing proceeds and moneys received pursuant to

draws on the Letter of Credit shall be applied solely to the payment of principal of, interest on or Tender Price of the Bonds as provided in the Indenture):

- (a) **First:** To the payment of all amounts due the Trustee under the Indenture;
- (b) **Second:** To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due; and
- (c) **Third:** To the payment to the Letter of Credit Provider of any amounts due and owing under the Reimbursement Agreement and the payment of the remainder, if any, to the Issuer or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Subject to the provisions of the Indenture while a Letter of Credit is in effect with respect to the Bonds, whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Rights and Remedies of Bondholders. No Bondholder shall have any right to institute any proceeding for the enforcement of the Indenture or any right or remedy granted hereby unless (i) an Event of Default is continuing, (ii) a Responsible Officer of the Trustee is deemed to have notice or knowledge thereof or has been notified, (iii), the Letter of Credit Provider or a Majority of the Bondholders of Outstanding Bonds shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to exercise its powers or to institute such proceeding in its own name, and have offered to the Trustee indemnity satisfactory to it, and (iv) the Trustee shall have failed or refused to exercise its power or to institute such proceeding. Such notice, request and offer of indemnity shall at the option of the Trustee be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action for the enforcement of the Indenture or of any right or remedy granted hereby; the Holders of the Bonds shall have no right to affect or prejudice the lien of the Indenture by their action or to enforce any right under the Indenture except in the manner herein provided and that proceedings shall be instituted and maintained in the manner herein provided and for the benefit of the Holders of all Bonds then outstanding. Notwithstanding the foregoing, each Bondholder shall have a right of action to enforce the payment of the principal of and premium, if any, and interest on any Bond held by it at and after the maturity thereof, from the sources and in the manner expressed in such Bond.

Waivers of Events of Default. The Trustee shall waive any Default under the Indenture and its consequences and rescind any declaration of acceleration of principal upon the written request of the Holders of (1) at least a majority in aggregate principal amount of all Outstanding Bonds in respect of which default in the payment of principal or interest, or both, exists or (2) at least a majority in aggregate principal amount of Outstanding Bonds in the case of any other Default; and provided that there shall not be waived any payment Default unless prior to such waiver or rescission, the Issuer shall have caused to be paid to the Trustee (i) all arrears of principal and interest (other than principal of or interest on the Bonds which became due and payable by declaration of acceleration), with interest at the rate then borne by the Bonds on overdue installments, to the extent permitted by law, and (ii) all fees and expenses of the Trustee in connection with such Default. In case of any waiver or rescission described above, or in case any proceeding taken by the Trustee on account of any such Default shall have been discontinued or concluded, then and in every such case the Issuer, the Trustee and the Holders of

Bonds shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Default, or impair any right consequent thereon. No Default involving nonpayment of compensation due to the Trustee may be waived without the consent of the Trustee.

Resignation by Trustee; Removal. The Trustee may at any time resign from the trusts hereby created by giving 45 days' written notice to the Issuer, the Letter of Credit Provider and to each Bondholder, but such resignation shall not take effect until the appointment of a successor Trustee acceptable to the Letter of Credit Provider, acceptance by the successor Trustee of such trusts and assignment to such successor Trustee of the rights of the predecessor Trustee under the Basic Agreements.

Supplemental Indentures without Consent of Bondholders. Without the consent of the owners of any Bonds, but with the consent of the Letter of Credit Provider, the Issuer and the Trustee may from time to time enter into one or more Supplemental Indentures for any of the following purposes:

- (a) to better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property;
- (b) to add additional funding sources or revenues to flow of funds described in the Indenture and to pledge such revenues to the repayment of the Bonds;
- (c) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds, as herein set forth, additional conditions, limitations and restrictions thereafter to be observed;
- (d) to modify or eliminate any of the terms of the Indenture; provided, however, that:
 - (1) such Supplemental Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Bond Outstanding of any series issued prior to the execution of such Supplemental Indenture; and
 - (2) the Trustee may, in its discretion, decline to enter into any such Supplemental Indenture which, in its opinion, may not afford adequate protection to the Trustee when the same becomes operative;
- (e) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture, or the appointment of a new Remarketing Agent or Trustee, and in connection therewith to change any times of day specified herein by which any action must be taken;
- (f) while the Floating Rate Bonds bear interest at Weekly Rates, (1) to alter the manner in which the Remarketing Agent may, in the reasonable exercise of its judgment, act pursuant to the Indenture to increase the likelihood of achieving the lowest net interest cost during the term of the Floating Rate Bonds, (2) to change the number of days specified for the giving of notices and to make corresponding changes to the period for notice of mandatory tender of the Floating Rate Bonds, (3) to provide for an uncertificated system of registering the Floating Rate Bonds or to provide for changes to or from the Book-Entry System; (4) to make any change affecting Floating Rate Bonds to be effective on a mandatory tender date if disclosed to all purchasers on the purchase date; (5) to add another method of determining the interest rate on the Floating Rate Bonds; or (6) to alter, prior to the applicable conversion of the Floating Rate Bonds to the Fixed Rate, the manner in which a schedule of principal payments and the interest rate may be set, or the redemption provisions to be applicable to Floating Rate Bonds;
- (g) to provide for an Alternate Letter of Credit, or to make any amendments required to secure a rating on the Floating Rate Bonds from a Rating Agency equal to the rating of the Letter of Credit Provider's unsecured indebtedness;

(h) to add to the covenants of the Issuer or to the rights, powers and remedies of the Trustee for the benefit of the owners of all of the Bonds or to surrender any right or power herein conferred upon the Issuer;

(i) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision herein or to make any other change, with respect to matters or questions arising under the Indenture, which shall not be inconsistent with the provisions of the Indenture, provided such action shall not materially adversely affect the interests of the owners of the Bonds (in making such determination, the Trustee may rely conclusively upon an opinion of Counsel);

(j) to modify, eliminate or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act, or under any similar federal statute hereafter enacted, or to permit the qualification of the Bonds for sale under the securities laws of the United States or any state of the United States;

(k) to correct or supplement any provision which may be inconsistent, or to make any other provision with respect to matters or questions arising under the Indenture consistent, and which does not materially adversely affect the interests of the owners of the Bonds (in making such determination, the Trustee may rely conclusively upon an opinion of Counsel); or

(l) to enter into an interest rate swap agreement with respect to all or a portion of the Bonds provided such action shall not materially adversely affect the interests of the owners of the Bonds (in making such determination, the Trustee may rely conclusively upon an opinion of Counsel).

Supplemental Indentures with Consent of Bondholders. With the consent of the Letter of Credit Provider and the owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Indenture, the Issuer and the Trustee may enter into one or more Supplemental Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the owners of the Bonds under the Indenture; provided, however, that so long as the Letter of Credit Provider is honoring draws on the Letter of Credit, its consent shall be adequate in lieu of the consent of a majority of the owners of the Bonds, and further provided that no such Supplemental Indenture shall, without the consent of the owner of each Outstanding Bond affected thereby,

(a) change the stated maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date);

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Indenture, or the consent of whose owners is required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences;

(c) modify the obligation of the Issuer to make payment on or provide funds for the payment of any Bond or eliminate the holders' rights to optionally tender the Floating Rate Bonds, or extend the due date for the purchase of Floating Rate Bonds optionally tendered by the holders thereof or reduce the purchase price of such Floating Rate Bonds;

(d) modify or alter the provisions of the proviso to the definition of the term "Outstanding";

(e) modify any of the provisions of this Section, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the owner of each Bond affected thereby; or

(f) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the Trust Estate or terminate the lien of the Indenture on any property at any time subject hereto or deprive the owner of any Bond of the security afforded by the lien of the Indenture.

The Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Indenture and any such determination shall be conclusive upon the owners of all Bonds, whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith, and may rely conclusively upon an opinion of Counsel in making such determination.

Payment, Discharge and Defeasance of Bonds. Bonds will be deemed to be paid and discharged and no longer Outstanding under the Indenture and will cease to be entitled to any lien, benefit or security of the Indenture if the Issuer shall pay or provide for the payment of such Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;

(b) by delivering such Bonds to the Trustee for cancellation; or

(c) by depositing in trust with the Trustee Defeasance Obligations (provided that, while a Letter of Credit is in effect, such Defeasance Obligations shall be purchased with moneys that constitute Eligible Moneys) in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity or redemption dates (including the payment of the principal of, premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof); provided that, if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption is given in accordance with the requirements of the Indenture or provision satisfactory to the Trustee is made for the giving of such notice; and further provided that Floating Rate Bonds that bear interest at other than the Fixed Rate shall not be deemed to have been paid and discharged within the meaning of this Section unless the interest rate payable on such Bonds is calculated at the Maximum Rate and shall be redeemed prior to the next tender date and interest reset date.

The Bonds may be defeased in advance of their maturity or redemption dates only with Defeasance Obligations pursuant to subsection (c) above, provided, however that for any advance refunding such defeasance shall be subject to receipt by the Trustee of a verification report prepared by independent certified public accountants, or other verification agent (which may be the Remarketing Agent), satisfactory to the Trustee and the Issuer, to the effect that the payment of the principal of and redemption premium, if any, and interest on all of the Bonds then Outstanding and any and all other amounts required to be paid under the provisions of the Indenture has been provided for in the manner set forth in the Indenture.

The foregoing notwithstanding, the liability of the Issuer in respect of such Bonds shall continue, but the owners thereof shall thereafter be entitled to payment only out of the Defeasance Obligations deposited with the Trustee as aforesaid.

Defeasance Obligations so deposited with the Trustee pursuant to this Section shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Such moneys and Defeasance Obligations shall be applied by the Trustee to the payment to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such moneys and Defeasance Obligations have been deposited with the Trustee.

Satisfaction and Discharge of Indenture. The Indenture and the lien, rights and interests created by the Indenture shall cease, determine and become null and void (except as to any surviving rights under the Indenture) if the following conditions are met:

- (a) the principal of, premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of the Indenture;
- (b) all other sums payable under the Indenture and any other instrument entered into with respect to the Bonds are paid or provision satisfactory to the Trustee is made for such payment, all amounts due and owing to the Letter of Credit Provider have been paid; and
- (c) the Trustee receives an Opinion of Co-Bond Counsel addressed and delivered to the Trustee and the Issuer to the effect that all conditions precedent in this Section to the satisfaction and discharge of the Indenture have been satisfied.

Payments Due on Saturdays, Sundays and Holidays. In any case where a Payment Date is not a Business Day, then payment of interest or principal and any premium due on such day need not be made by the Trustee on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the Payment Date.

Extent of Issuer Covenants; No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer contained in the Indenture or any other Basic Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, director, officer, employee or agent of the Issuer in his or her individual capacity; and no such person (including any such person executing the Bonds) shall be liable personally on the Bonds or be subject to any personal liability by reason of their issuance. No recourse shall be had by the Issuer, the Trustee or any Bondholder for any claim based on any Basic Agreement against any member, director, officer, employee or agent of the Issuer alleging personal liability on the part of such person unless such claim is based upon the willful dishonesty of or intentional violation of law by such person.

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a summary of certain provisions of the Financing Agreement relating to the Bonds. This summary does not purport to be complete or comprehensive, and is qualified in its entirety by reference to the Financing Agreement, copies of which are available from the Underwriter.

Prepayment. The Issuer and the Commission may prepay from time to time the amounts payable under the Financing Agreement in sums sufficient to redeem or to pay or cause to be paid all or part of the Bonds in accordance with the provisions of the Indenture. At the discretion of the Issuer to redeem Bonds subject to optional redemption under the Indenture with the approval of the Issuer as described herein, the Issuer shall forthwith take all steps necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then Outstanding Bonds, as may be specified by the Issuer, on the date established for such redemption. Whenever any Bonds shall have been called for optional redemption under any provision of the Indenture, the Issuer shall deposit with the Trustee Eligible Moneys in such amounts and at such times required to redeem such Bonds, including the principal, redemption premium, if any, and accrued interest thereon to the redemption date. Any such prepayments shall be deposited in the Debt Service Fund, and applied by the Trustee in accordance with the provisions of the Indenture.

Special Allocation Fund. The Commission has previously established and shall hold the Special Allocation Fund for Chouteau I-35 Redevelopment Plan (the "Special Allocation Fund") in accordance with the provisions of the TIF Act, subject to the pledge of certain accounts therein to the Trustee pursuant to the Financing Agreement and the Indenture. The Special Allocation Fund, and the accounts therein (including the accounts which the Issuer and the Commission have designated to be held by the Trustee pursuant to the Indenture) shall be segregated on the books and records of the Commission and shall be kept separate and apart on the books and records of the Commission from all other moneys, revenues, funds and accounts of the Commission and shall not be commingled with any other moneys, revenues, funds and accounts of the

Commission. The Commission agrees that, so long as the Bonds remain Outstanding, the Issuer may transfer TIF Revenues directly to the Trustee.

Use of Special Allocation Fund. The Special Allocation Fund shall be maintained and administered by the Commission solely for the purposes provided herein and in the Indenture until such time as the Indenture shall have been discharged in accordance with the Indenture. The Commission shall, as soon as practicable after receipt thereof, deposit all Economic Activity Taxes and Payments-in-Lieu-of-Taxes in the Special Allocation Fund. The Commission shall thereafter transfer all such amounts to the Trustee pursuant to the Indenture.

Commission Pledge of TIF Revenues. The Commission hereby pledges to the Trustee for the benefit of the Owners of the Bonds, as security for the payment of the principal of and redemption premium, if any, and interest on the Bonds, all of its right, title and interest in, to and under, and grants to the Trustee a lien upon and security interest in, (i) the Economic Activity Tax Revenues, and (ii) Payments in Lieu of Taxes, in the Special Allocation Fund. The parties hereto acknowledge and agree that the TIF Revenues pledged to the Trustee by the Commission shall constitute a part of the Trust Estate for all purposes under the Indenture.

Commission Transfer of TIF Revenues. The Commission shall, as soon as practicable (but no later than ten (10) days after receipt thereof, transfer all Payments-in-Lieu of Taxes and Economic Activity Tax Revenues received from the Issuer to the Trustee for deposit in the TIF Revenues Account of the Revenue Fund less the Commission's administrative fees and expenses in a maximum amount of 5% of the PILOTs and Economic Activity Tax Revenues.

Issuer Pledge of TIF Revenues. The Issuer hereby pledges to the Trustee, for the benefit of the Owners of the Bonds, as security for the payment of the principal of and redemption premium, if any, and interest on the Bonds, all of its right, title and interest in, to and under, and grants to the Trustee a lien upon and security interest in, (i) Payments-in-Lieu of Taxes and (ii) the TIF Revenues, as and when appropriated by the Issuer, and all proceeds of the foregoing. The parties hereto acknowledge and agree that the TIF Revenues, as and when appropriated by the Issuer, pledged to the Trustee by the Issuer shall constitute a part of the Trust Estate for all purposes under the Indenture.

Issuer Transfer of TIF Revenues. The Issuer shall, as soon as practicable after receipt thereof, transfer all Economic Activity Tax Revenues, and Payments-in-Lieu of Taxes received by it to the Trustee for deposit in the Revenue Fund; *provided, however*, any amounts the Issuer has paid to the Letter of Credit Provider under the Reimbursement Agreement as fees or expenses, any amounts the Issuer has paid to the Remarketing Agent under the Remarketing Agreement as fees or expenses and additional payments described in the Indenture, including rating agency surveillance fees may be reimbursed to the Issuer from available Economic Activity Tax Revenues and Payments-in- Lieu-of-Taxes, prior to transfer of the such TIF Revenues by the Issuer to the Trustee.

Continuing Disclosure. The Issuer and the Commission hereby represent that the initial offering and sale of the Bonds is exempt from the requirements of paragraph (b)(5)(i) of the Securities Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, Section 240.15c2-12) (the "Rule"). The Issuer and the Commission hereby covenant and agree that if as a result of any amendment or supplement to the Indenture or the Financing Agreement, the Bonds cease to be exempt under the Rule, the Issuer and the Commission will enter into an agreement or contract, constituting an undertaking, to provide ongoing disclosure as may be necessary to comply with the Rule as then in effect. The covenant and agreement contained in this Section is for the benefit of the Owners of the Bonds as required by the Rule.

Events of Default Defined. The term "Event of Default" shall mean any one or more of the following events:

- (a) Failure by the Commission to timely transfer TIF Revenues to the Trustee pursuant to the Financing Agreement.
- (b) Failure by the Issuer to timely transfer TIF Revenues to the Commission pursuant to the Financing Agreement.

(c) An Event of Nonappropriation.

(d) Failure by the Commission or the Issuer to observe and perform any covenant, condition or agreement on the part of the Commission or the Issuer under the Financing Agreement, the Indenture or any other document entered into in connection with the financing of the Project, other than as referred to in the preceding subparagraphs (a) or (b) above, for a period of 30 days after written notice of such default has been given to the Issuer or the Commission, during which time such default is neither cured by the Commission or the Issuer nor waived in writing by the Trustee, provided that, if the failure stated in the notice cannot be corrected within said 30-day period, the Trustee may consent in writing to an extension of such time prior to its expiration if corrective action is instituted by the Commission or the Issuer within the 30-day period and diligently pursued to completion and if such consent, in the reasonable judgment of the Trustee, does not materially adversely affect the interests of the Owners of the Bonds.

(e) Any representation or warranty by the Commission or the Issuer herein or in any certificate or other instrument delivered under or pursuant to the Financing Agreement or the Indenture or in connection with the financing of the Project shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made, unless waived in writing by the Trustee or cured by the Commission or the Issuer within 30 days after notice thereof has been given to the Commission or the Issuer.

Remedies on an Event of Default. Whenever any Event of Default shall have occurred and be continuing, the Trustee, as the assignee of the Commission, may take any one or more of the remedial steps set forth in the Indenture; provided that if the principal of all Bonds then Outstanding and the interest accrued thereon shall have been declared immediately due and payable pursuant to the provisions of the Indenture, the Trustee may immediately proceed to take whatever other action at law or in equity is necessary and appropriate to exercise or to cause the exercise of the rights and powers set forth herein or in the Indenture, as may appear necessary or desirable to collect the amounts payable pursuant to the Financing Agreement then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement or covenant of the Commission or the Issuer under the Financing Agreement, the Cooperative Agreement or the Indenture.

In the enforcement of the remedies provided in this Section, the Trustee may treat all expenses of enforcement, including reasonable legal, accounting and advertising fees and expenses, as Additional Payments then due and payable.

Any amount collected pursuant to action taken under this Section shall be paid to the Trustee and applied, first, to the payment of any reasonable costs, expenses and fees incurred by the Trustee as a result of taking such action and, next, any balance shall be transferred to the Revenue Fund and applied in accordance with the Indenture and, then, to satisfy any other Additional Payments then due or to cure any other Event of Default.

Notwithstanding the foregoing, the Trustee shall not be obligated to take any step that in its opinion will or might cause it to expend time or money or otherwise incur liability, unless and until indemnity satisfactory to it has been furnished to the Trustee at no cost or expense to the Trustee, except as otherwise provided in the Indenture.

No Remedy Exclusive. No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Financing Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon an Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Agreement to Pay Attorneys' Fees and Expenses. In connection with any Event of Default by the Commission or the Issuer, if the Trustee employs attorneys or incurs other expenses for the collection of amounts payable under the Indenture or the enforcement of the performance or observance of any covenants or agreements on the part of the Commission, the Letter of Credit Provider or the Issuer herein contained, the defaulting party agrees

that it will, subject to the limitations contained in the Financing Agreement, on demand therefor, pay to the Trustee the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Trustee.

Notice of an Event of Default. The Issuer and the Commission shall each promptly give to the Trustee written notice of any Event of Default of which the Issuer or the Commission, as the case may be, shall have actual knowledge or written notice, but neither the Issuer nor the Commission shall be liable for failing to give such notice. The Trustee shall give prompt notice to the Issuer, the Commission and the Letter of Credit Provider of any Event of Default or potential Event of Default under the Financing Agreement.

Performance of the Commission's and the Issuer's Obligations. If the Commission or the Issuer shall fail to keep or perform any of their obligations as provided in the Financing Agreement, then the Trustee, may (but shall not be obligated so to do) upon the continuance of such failure on the Commission or the Issuer's part for 15 days after notice of such failure is given to the Commission and the Issuer by the Trustee, and without waiving or releasing the Commission or the Issuer from any obligation hereunder, as an additional but not exclusive remedy, make any such payment or perform any such obligation, and all sums so paid by the Trustee and all necessary incidental costs and expenses incurred by the Trustee in performing such obligations shall be deemed to be Additional Payments and shall be paid to the Trustee on demand.

Supplemental Financing Agreements without Consent of Owners. Without the consent of the Owners of any Bonds, the Issuer, and the Commission, with the written consent of the Letter of Credit Provider, may from time to time enter into one or more Supplemental Financing Agreements, for any of the following purposes:

- (a) to more precisely identify any project financed or refinanced out of the proceeds of the Bonds; or
- (b) to evidence the succession of another entity to the redeveloper and the assumption by any such successor of the covenants of the redeveloper herein contained; or
- (c) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provisions, with respect to matters or questions arising under the Financing Agreement, which shall not be inconsistent with the provisions of the Financing Agreement, provided such action shall not adversely affect the interests of the Owners of the Bonds.

Supplemental Financing Agreements with Consent of Owners. With the consent of the Letter of Credit Provider and the Owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Financing Agreement, the Commission, the Trustee and the Issuer may enter into Supplemental Financing Agreements, in form satisfactory to the Trustee, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Financing Agreement or of modifying in any manner the rights of the Trustee and the Owners of the Bonds under the Financing Agreement; provided, however, that no such Supplemental Financing Agreement shall, without the consent of the Owner of each Outstanding Bond affected thereby,

- (a) change the obligations of the Commission under the Financing Agreement; or
- (b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners is required for any such Supplemental Financing Agreement, or the consent of whose Owners is required for any waiver provided for in the Financing Agreement of compliance with certain provisions of the Financing Agreement or certain defaults under the Indenture and their consequences; or
- (c) modify any of the provisions of this Section, except to increase any percentage provided thereby or to provide that certain other provisions of the Financing Agreement cannot be modified or waived without the consent of the Owner of each Bond affected thereby.

The Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Financing Agreement and any such determination shall be conclusive upon the Owners of all Bonds, whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

Term of Financing Agreement. The Financing Agreement shall be effective from and after its execution and delivery and shall continue in full force and effect until the Bonds are deemed to be paid within the meaning of the Indenture and provision has been made for paying all other sums payable under the Financing Agreement and the Indenture.

Amendments, Changes and Modifications. Except as otherwise provided in the Financing Agreement or in the Indenture, subsequent to the issuance of Bonds and prior to all of the Bonds being deemed to be paid in accordance with the Indenture and provision being made for the payment of all sums payable under the Indenture, the Financing Agreement may not be effectively amended, changed, modified, altered or terminated without the prior concurring written consent of the Trustee and the Letter of Credit Provider, given in accordance with the Indenture.

No Pecuniary Liability. Notwithstanding the language or implication of any provision, representation, covenant or agreement to the contrary, no provision, representation, covenant or agreement contained in the Financing Agreement or in the Indenture, the Bonds, or any obligation herein or therein imposed upon the Issuer or the Commission, or the breach thereof, shall constitute or give rise to or impose upon the Issuer or the Commission a pecuniary liability (except to the extent of any TIF Revenues actually received by the Issuer or the Commission and, if appropriated, City Revenues). No provision hereof shall be construed to impose a charge against the general credit of the Issuer or the Commission or any personal or pecuniary liability upon any member, official, director, officer, agent or employee of the Issuer or the Commission.

Extent of Covenants of the Commission; No Personal or Pecuniary Liability. All covenants, obligations and agreements of the Commission contained in the Financing Agreement and the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future member, official, director, officer, agent or employee of the Commission in other than his official capacity, and no official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Commission contained in the Financing Agreement or in the Indenture. No provision, covenant or agreement contained in the Financing Agreement, the Indenture or the Bonds, or any obligation herein or therein imposed upon the Commission, or the breach thereof, shall constitute or give rise to or impose upon the Commission a pecuniary liability or a charge.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX C

INFORMATION REGARDING THE CITY OF KANSAS CITY, MISSOURI

(THIS PAGE INTENTIONALLY LEFT BLANK)

INFORMATION CONCERNING THE CITY OF KANSAS CITY, MISSOURI

GENERAL INFORMATION

Location, Size and Demographics

Kansas City, Missouri (the "City") is the largest City in Missouri and is the central city of a fifteen county Metropolitan Statistical Area (MSA) which includes Bates, Caldwell, Cass, Clay, Clinton, Lafayette, Ray, Jackson and Platte counties in the State of Missouri and Johnson, Franklin, Linn, Wyandotte, Miami and Leavenworth counties in the State of Kansas. The City is located in parts of Jackson, Clay, Platte and Cass counties on the western border of the State of Missouri, and is situated at the confluence of the Kansas and Missouri rivers on Interstate Highways I-29, I-35 and I-70.

Historically, the City has pursued a policy of annexation, and is today the 13th largest city in land area in the United States with a total area of approximately 319 square miles.

According to the Department of City Planning and Development of Kansas City, Missouri, estimate, year 2008 population of the City and the Kansas City MSA are estimated at 480,534 and 2,006,565, respectively. There is excellent quality and reasonably priced housing available in Kansas City. The cost of an existing home in Kansas City is approximately twenty-six percent (26%) below the average for comparable homes in the United States as of second quarter in 2008.

Municipal Government and Services

The City was incorporated on June 3, 1850. The City is a constitutional home rule city and adopted its present Charter by popular vote on August 8, 2006, pursuant to Article VI, Section 19 of the Missouri Constitution.

The City has a Council-Manager form of government. There are 13 members of the Council, including the Mayor. All are elected for four-year terms, with the Mayor and six Council members elected at large and the other six Council members elected by the residents of their districts. The City Manager is appointed by the Council. The Council determines City policy and oversees City affairs. All resolutions and most ordinances can be passed by the affirmative vote of seven Council members. However, emergency measures for the immediate preservation of the public peace, property, health, safety or morals and ordinances to expel a council member, to amend the zoning law when under protest, or to borrow money require nine affirmative votes.

As of September 9, 2008, the City has approximately 6,938 employees including the Police Department. The police are not unionized. Certain Fire personnel are union-eligible; however, not all Fire Department employees are represented by a bargaining unit. Along with the Fire Chief, and his Principal Assistant, the Fire Department has administrative, clerical, and Deputy Chiefs that are not represented by any bargaining unit. The fire personnel are represented by the Local 42 IAFF (approximately 943) and the 3808 IAFF Union (approximately 23 members). Approximately 1,787 City employees, in labor classifications, are represented by the AFSCME Local 500. The Local 500 Memorandum of Understanding (MOU) expired on April 30, 2005, with the exception of provisions related to Variable Pay Plan, which expires on April 30, 2008. The new MOU has been ratified, submitted to Council and was implemented September 14, 2008.

The City's tax structure is diverse compared to most large cities, and includes the Earnings and Profits Tax, Sales and Use Tax, Convention and Tourism Tax, General Property Tax, Gaming Tax, Motor Fuel Tax, Utility Tax which includes Telephone, Natural Gas, Steam, Cable Television and Electric taxes, Cigarette and Occupational License Tax.

The City provides all basic municipal services, including fire protection, water and sewage treatment, street construction and maintenance, traffic regulation and control, refuse collection, street lighting, public health protection, planning and maintenance of City parks and boulevards, tree planting, municipal golf courses, public swimming pools and tennis courts, a municipal correctional institution, emergency aid to needy persons, management of two municipal airports, administration of zoning and subdivision regulations, and operation of the City's convention facilities. The Police Department, although financed primarily by General Funds of the City, is a separate governmental entity. School districts which serve Kansas City are also separate governmental entities. Truman Medical Center and the Metropolitan Ambulance Services Trust are run by separate boards, but receive substantial funds from the City.

SELECTED DEMOGRAPHIC STATISTICS

Kansas City, Missouri			Metropolitan Statistical Area		
Year	Population ⁽¹⁾	Per Capita Personal Income	Year	Population (1)	Per Capita Personal Income
1999	437,764	20,372	1999	1,815,318	22,962
2000	441,851	20,295	2000	1,842,912	22,506
2001	442,713	21,587	2001	1,864,148	24,574
2002	443,416	22,755	2002	1,887,074	24,560
2003	443,070	20,026	2003	1,904,209	24,907
2004	443,268	22,405	2004	1,922,640	24,914
2005	443,702	24,567	2005	1,940,120	26,251
2006	446,808	24,180	2006	1,961,684	26,848
2007	475,830 ⁽²⁾	24,299	2007	1,985,429	27,650
2008	480,534	25,716	2008	2,006,565	Not Available

(1) The Federal Office of Management and Budget changed Kansas City, Missouri's Metropolitan Statistical Area (MSA) from eleven (11) to fifteen (15) counties in 2003. All fifteen (15) counties are included in the MSA population numbers. Population estimates from 1999 to 2007 were obtained from the U.S. Census Bureau. Calendar Year 2008 population number was estimated by the City Planning and Development Department of Kansas City, Missouri.

(2) In February 2009, due to a successful City appeal to the U.S. Census Bureau, the 2007 official population of Kansas City, MO., was changed from 450,375 to 475,830.

Sources: Census Bureau; City Planning and Development Department, Mid-America Regional Council, Census Bureau's Annual America Community Survey, and Claritas.

COMPARISON of METROPOLITAN AREAS

	ACCRA Cost of Living Index 2008 1st Quarter (1)	Median Price, Existing Homes 2008 2nd Quarter (2)	Per Capita Retail Sales (2007) (3)
Kansas City	96.1	\$152,800	\$15,818
U.S.	100.0	206,500	15,961
Atlanta	97.6	158,300	16,285
Charlotte	94.7	201,300	17,520
Chicago	111.5	257,600	15,655
Columbus	98.6	145,700	15,747
Dallas	91.9	151,000	15,652
Denver	105.1	225,200	17,650
Los Angeles	150.3	417,800	15,323
Memphis	89.0	131,600	15,506
Minneapolis	109.3	210,800	17,697
New York	218.8	453,400	15,052
Phoenix	101.6	205,100	18,684
Saint Louis	90.0	148,600	16,075
Salt Lake City	98.7	234,200	19,148
San Francisco	173.6	684,900	15,823

Sources:

All information in the above table was obtained from the Kansas City Area Development Council (KCADC). For comparability to other City MSA's, Kansas City information is based on fifteen (15) county areas for the "Per Capita Retail Sales" and "Home Price Index." Reference is further made by KCADC to the following sources:

- (1) The Council for Community and Economic Research, ACCRA Cost of Living Index.
- (2) National Association of Realtors.
- (3) Claritas / Market Statistics.

THE KANSAS CITY ECONOMY

The City is a regional center for transportation, telecommunications, manufacturing, health care, trade, financial services, and government. Major companies headquartered in metropolitan Kansas City, Missouri include Sprint Nextel Corporation, HCA-Midwest Health Systems and DST Systems, Inc. Other major employers include the Public School Systems, State/County/City Government, Federal Government, Hallmark Cards, McDonald's USA LLC, St. Luke's Health System, Cerner Corporation and Ford Motor Company.

The City's economy provides for a consistent and well distributed earnings and employment environment for its business sectors.

The City's proximity and ready access to geographical and population centers throughout the nation make the area an attractive location for industrial product distribution and trade. The City's central location is advantageous for commuting to all parts of the United States and has enhanced its development and posture as a major transportation center with a complete range of transportation facilities, including a major highway network, eleven railroad trunk lines, and the Kansas City International Airport (KCI). KCI handled 11.3 million passengers in fiscal year 2008. As of September 2008, there are 25 airlines, 12 mainline and 13 regional/commuter serving 48 cities with nonstop service. Flight times from KCI are about three hours to either coastline.

MAJOR KANSAS CITY METROPOLITAN STATISTICAL AREA EMPLOYERS

Kansas City Metropolitan Area Principal Employers

Employer	Type of Business	Number of Employees *
Federal Government	Government	38,906
Public School System (1)	Education	31,857
State/County/City Government (2)	Government	25,606
Sprint Nextel Corp.	Wireless Telecommunication	13,200
HCA Midwest Health System	Health Care Provider	7,000
McDonald's USA LLC	Quick-Service Restaurant	6,400
Saint Luke's Health System	Health Care Provider	5,454
Cerner Corp.	Health Care Information Technology	4,700
DST Systems, Inc.	Information Processing and Computer Software Services	4,500
Ford Motor Co. Kansas City Assembly Plant	Car and Truck Manufacturing	4,400
Hallmark Cards, Inc.	Greeting Cards, Expression Products	4,200
Children's Mercy Hospitals & Clinics	Television Programming	
AT&T	Pediatric Specialty Health Care	4,108
Embarq Corp	Telecommunications	4,013
Black & Veatch	Telecommunications	3,809
	Global Engineering Consulting and Construction Company	3,800

- (1) The number of local employees for the public school system is made up of twelve (12) public school systems and school districts.
- (2) The number of local employees for the State/County/City Government is made up of seven (7) employers.

Source: Top Public-Sector Employers, Kansas City Business Journal, April 18, 2008 and Top 100 Area Private-Sector Employers, Kansas City Business Journal, April 25, 2008.

* Note: The City does not undertake continuously to update this table at regular intervals. The information presented in this table speaks only as of the date indicated in the source. Layoffs or developments after this date are not presented, and they may render some information in the table to be inaccurate. In general, employment has sharply declined in recent months as reported by the Bureau of Labor Statistics of the U.S. Department of Labor. In December 2008 to March 2009 job losses were widespread across most major industry sectors.

Employment Information

The following table shows the annual average non-agricultural employment for the metropolitan area for 2003 to 2007 using the North American Industry Classification System (NAICS).

ANNUAL AVERAGE NON-AGRICULTURAL EMPLOYMENT METROPOLITAN AREA

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Manufacturing	82,600	83,700	82,900	83,300	82,500
Trade, Transport & Utilities	201,600	202,200	203,600	205,000	207,800
Information	47,800	45,300	42,600	42,000	42,200
Finance	70,900	70,900	71,100	73,100	74,900
Professional & Business Services	122,600	127,700	137,700	141,600	148,100
Educational & Health Services	107,700	108,900	111,700	114,500	118,600
Leisure & Hospitality	90,700	92,300	93,000	94,600	95,500
Government	142,500	143,900	144,300	145,800	150,400
Natural Resources & Construction	50,900	50,800	52,900	54,400	53,400
Other Services	41,400	40,400	40,200	39,900	41,200
Total, Non-farm	958,700	966,100	980,000	994,200	1,014,600

Source: Missouri Department of Economic Development, Missouri Economic Research & Information Center in Cooperation with U.S. Department of Labor, Bureau of Labor Statistics. These figures were based upon the North American Industry Classification System (NAICS).

The following table depicts average annual unemployment rates for the last ten years:

AVERAGE ANNUAL UNEMPLOYMENT RATES			
Year	Kansas City	MSA	United States
1999	3.6	3.1	4.2
2000	3.8	3.3	4.0
2001	5.3	4.4	4.7
2002	6.6	5.5	5.8
2003	7.2	6.0	6.0
2004	7.7	6.1	5.5
2005	7.1	5.6	5.1
2006	6.3	5.0	4.6
2007	6.4	5.0	4.6
2008	7.7 ⁽¹⁾	5.8 ⁽¹⁾	5.8

(1) Average of unemployment rate from January to December 2008.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The following table shows the valuation of building construction for the last ten fiscal years:

BUILDING CONSTRUCTION VALUATION
(Amounts Expressed in Thousands)

Fiscal Year	Commercial Valuation	Residential Valuation	Total
1999	586,945	235,386	822,331
2000	643,246	232,500	875,746
2001	482,427	244,223	726,650
2002	685,120	306,693	991,813
2003	426,447	397,062	823,509
2004	372,238	394,758	766,996
2005	600,068	471,313	1,071,381
2006	1,095,063	417,816	1,512,879
2007	749,898	345,252	1,095,150
2008	482,072	204,173	686,245

Sources: Division of Development Services, Department of City Planning and Development, City of Kansas City, Missouri.

The following table shows the locally assessed value of both real and personal taxable property for the last ten fiscal years:

City of Kansas City, Missouri
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Value
1999	3,297,036	1,487,171	4,784,207
2000	3,538,437	1,515,046	5,053,483
2001	3,589,296	1,596,472	5,185,768
2002	3,899,050	1,596,366	5,495,416
2003	3,850,565	1,526,968	5,377,533
2004	4,242,606	1,425,531	5,668,137
2005	4,488,998	1,428,914	5,917,912
2006	5,021,849	1,432,570	6,454,419
2007	5,185,697	1,438,517	6,624,214
2008	5,512,212	1,771,702	7,283,914

Sources: Original data obtained from aggregate assessed valuation reports provided by each county clerk and on file with the State of Missouri and the Statistical Data Section of the City of Kansas City, Missouri Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2008.

BUDGETING, ACCOUNTING AND AUDITING PROCEDURES

Budget Process

The City Charter requires that the City Council adopt an annual budget for the City's May 1 through April 30 fiscal year. In fulfilling this requirement, the City's year-round budget and planning process consists of four phases:

Budget Development. The Office of Management and Budget issues budget instructions to city departments, boards, and commissions to be used in estimating revenues and requesting the appropriations necessary to fulfill their needs in the next fiscal year. Departments prepare their budget requests based on estimates of work to be performed and their cost. The amounts requested must be justified in terms of the results to be achieved. The City Charter requires that departments submit their requests to the City Manager on or before the 15th day of November. During this phase, the City Council also convenes budget priority sessions to provide staff with information on City Council funding priorities.

Budget Review. The Office of Management and Budget performs technical and policy reviews of departmental budget requests and forwards recommendations to the City Manager. The Budget Director and the City Manager confer with departmental staff to formulate a balanced budget. This draft budget is provided to the Mayor no later than January 15th for review and comment.

Budget Consideration and Adoption. The Mayor and the City Manager transmit their official recommended budget to the City Council by the second regular meeting of February. The City Council, meeting as a Committee of the Whole and through the Finance and Audit Committee reviews the budget and holds hearings with the public, the City Manager, and department directors. The City Charter requires that the City Council adopt a balanced budget no later than its fourth meeting in March.

Administration of the Budget. After the budget has been adopted by the City Council, the approved appropriations and revenues are entered into the City's financial accounting system. Each quarter the Office of Management and Budget reviews the financial performance of departments and, on the basis of this analysis, makes necessary budget adjustments to ensure the City's financial stability. Strict budgetary compliance is maintained through the checks and balances of administrative regulations, Finance Department Manuals of Instruction, and an automated accounting system. Department budgets can be increased or decreased only by passage of an ordinance by the Council.

Accounting Procedures and Annual Audit

Under the requirements of Governmental Accounting Standards Board Statement No. 34 (GASB 34) – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments a dual reporting perspective is required for financial statement presentation. This dual perspective includes both a fund basis perspective and an entity wide perspective. Fiscal year 2002-03 was the first year of implementation of GASB 34 for the City.

Under the fund basis perspective, the City reports on a modified accrual basis of accounting for the various Governmental fund types and the accrual basis of accounting is utilized by the Proprietary and Fiduciary fund types. Under the entity wide perspective the accrual basis of accounting is utilized.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and ensures that financial statements present fairly the results of operations of the various funds of the City. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The Charter requires an annual audit of the City's financial statements by an independent certified public accountant. In addition to meeting the requirements set forth in the Charter, the City has obtained an audit in accordance with the provisions of the Office of Management and Budget Circular A-133.

CITY OF KANSAS CITY, MISSOURI
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(In thousands)

	2004	2005	2006	2007	2008
Revenues:					
Taxes	455,815	497,869	533,603	555,646	576,444
Licenses, fees, and permits	97,350	96,899	112,428	113,307	154,948
Fines and penalties	16,970	16,757	16,371	17,187	17,091
Rents and concessions	9,836	10,859	20,921	18,556	15,852
Charges for services	44,712	38,859	42,885	41,453	46,385
Special assessments	2,886	5,206	6,794	6,710	7,094
Intergovernmental	104,007	89,449	83,373	100,628	103,517
Investment earnings	7,925	12,067	28,268	47,737	37,493
Contributions	5,961	5,948	11,584	44,430	42,164
Lease rentals	—	—	—	—	—
Other revenues	7,123	5,761	5,472	9,373	9,184
Total revenues	752,585	779,674	861,699	955,027	1,010,172
Expenditures:					
General government	53,979	57,296	72,585	98,356	117,593
Fire	79,643	89,594	105,628	97,493	94,735
Public works	66,955	74,155	133,761	214,404	57,309
Codes administration	6,804	8,140	6	—	—
Neighborhood development	57,476	44,566	40,771	39,375	33,497
Health	55,680	47,614	60,014	62,409	66,386
Culture and recreation	43,720	42,717	47,883	42,641	42,385
Convention facilities	17,440	19,290	29,530	26,721	21,263
Pollution control	16,977	17,166	398	—	—
Nondepartmental	49,107	44,472	57,114	46,813	84,653
Police	139,935	144,545	153,606	165,071	182,998
Intergovernmental	27,764	47,289	48,402	47,964	47,893
Capital outlay	86,257	207,885	288,602	289,661	334,251
Debt service:					
Interest	30,478	32,235	49,339	59,544	66,951
Principal	32,646	38,539	39,931	43,977	59,501
Bond issuance costs	1,113	9,173	3,043	4,340	3,160
Total expenditures	765,974	924,676	1,130,613	1,238,769	1,212,575
Excess of revenues over (under) expenditures	(13,389)	(145,002)	(268,914)	(283,742)	(202,403)
Other financing sources (uses):					
Issuance of debt	69,125	654,631	231,388	334,618	222,332
Premium/discount on bond issue	1,770	6,168	8,183	10,715	4,514
Payment to refund bond escrow agent	(13,667)	(23,097)	(173,205)	(107,666)	(121,225)
Proceeds of capital leases	4,018	—	—	—	—
Transfers in	115,998	151,070	188,462	150,193	159,105
Transfers out	(115,640)	(150,386)	(188,147)	(150,869)	(160,069)
Total other financing sources (uses)	61,604	638,386	66,681	236,991	104,657
Restatement of beginning fund balance	—	—	—	—	—
Net change in fund balance	48,215	493,384	(202,233)	(46,751)	(97,746)
Debt service expenditures	63,124	70,774	89,270	103,521	126,095
Capital outlays	86,257	207,885	288,602	289,661	334,841
Net expenditures	679,717	716,791	842,011	951,973	863,729
Debt Service as a percentage of non-capital expenditures	9.3%	9.9%	10.6%	10.9%	14.6%

Source: Statistical Data Section of the Comprehensive Annual Financial Report for Fiscal Year 2008.

Note: In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments. This statement, known as the "reporting model" statement, affects the way the City prepares financial information. The City also adopted the provisions of Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis. The effect of adopting these standards was to decrease previously reported Fiscal Year 2002 fund balance in the General Fund by \$3,717,000. The City adopted these provisions on May 1, 2002.

Previously shown numbers found in older reports from fiscal years 2003 - 2006 have changed because they included general, special revenue, debt service and the major capital improvements funds. The data presented above includes revenues, expenditures and other financing sources and uses from all governmental funds.

Source: Statistical Data Section of the City of Kansas City, Missouri, Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2008.

Governmental Funds: Revenues

Sources of revenue for the City's governmental funds are widely diversified as shown in the following table:

GOVERNMENTAL FUND REVENUES (Amount Expressed in Thousands)

Revenues	FY 2007	FY 2008	Increase or (Decrease) from 2007	Percentage Increase or (Decrease)
Taxes	\$ 555,646	\$ 576,444	\$ 20,798	3.74%
Licenses, fees and permits	113,307	154,948	41,641	36.75%
Fines and penalties	17,187	17,091	(96)	-0.56%
Rents and Concessions	18,556	15,852	(2,704)	-14.57%
Charges for services	41,453	46,385	4,932	11.90%
Special assessments	6,710	7,094	384	5.72%
Intergovernmental	100,628	103,517	2,889	2.87%
Investment earnings	47,737	37,493	(10,244)	-21.46%
Contributions	44,430	42,164	(2,266)	-5.10%
Lease rentals	-	-	-	
Other revenues	9,373	9,184	(189)	-2.02%
Total Revenues	\$ 955,027	\$ 1,010,172	\$ 55,145	5.77%

Revenues for the City's governmental funds during fiscal year 2008 totaled \$1 billion, an increase of 5.77% over fiscal year 2007.

Source: Statistical Data Section of the City of Kansas City, Missouri, Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2008.

Governmental Funds: Expenditures

The City's governmental funds are used to account for expenditures of traditional government services as shown in following table:

GOVERNMENTAL FUND EXPENDITURES (Amount Expressed in Thousands)

Expenditures	FY 2007	FY 2008	Increase or (Decrease) from 2007	Percentage Increase or (Decrease)
General government	\$ 98,356	\$ 117,593	\$ 19,237	19.56%
Fire	97,493	94,735	(2,758)	-2.83%
Public Works	214,404	57,309	(157,095)	-73.27%
Codes administration	-	-	-	-
Neighborhood Development	39,375	33,497	(5,878)	-14.93%
Health	62,409	66,386	3,977	6.37%
Culture and recreation	42,641	42,385	(256)	-0.60%
Convention facilities	26,721	21,263	(5,458)	-20.43%
Pollution control	-	-	-	-
Non-departmental	46,813	84,653	37,840	80.83%
Police	165,071	182,998	17,927	10.86%
Intergovernmental	47,964	47,893	(71)	-0.15%
Capital outlay	289,661	334,251	44,590	15.39%
Debt service				
Interest	59,544	66,951	7,407	12.44%
Principal	43,977	59,501	15,524	35.30%
Bond issuance costs	4,340	3,160	(1,180)	-27.19%
Total Expenditures	\$ 1,238,769	\$ 1,212,575	\$ (26,194)	-2.11%

Expenditures for the City's governmental funds during fiscal year 2008 totaled \$1.2 billion, and decrease of 2.11 % over fiscal year 2007.

Source: Statistical Data Section of the City of Kansas City, Missouri, Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2008.

Governmental Funds: Fund Balances

The fund balance of the General Fund and other selected operating funds for the last five years are shown in the following table (thousands of dollars):

	FUND BALANCES Governmental Funds <i>Budget Basis (1)</i>				
	2004	2005	2006	2007	2008
General Fund	19,089 (2)	17,207 (3)	33,976 (4)	22,807 (5)	27,533 (6)
General Fund Expenditures & Transfers (actual)	380,788	395,633	403,876	445,010	465,988
Fund Balance as a Percent Of Expenditures & Transfers	5.01%	4.35%	8.41%	5.13%	5.91%
Other Operating Funds					
Park Funds	\$1,124	\$964	\$2,709	\$1,155	\$1,650
Motor Fuel Tax	800	159	(2,151)	(3,008)	(1,941)
Public Mass Transit	412	1,400	891	2,687	3,606
Convention and Tourism	4,776	16,505	19,081	20,277	14,180
Capital Improvements	148,333	157,283	121,549	114,032	136,306
Other	74,798	89,473	45,626	72,933	111,468
General Debt & Interest	9,363	11,051	10,678	14,120	8,880
Total General & Other Selected Operating Funds	\$258,695	\$294,042	\$232,359	\$245,003	\$301,682

- (1) The City budgets on a cash basis.
- (2) The General Fund balance is adjusted to \$12.1 million on May 1, 2004, or 3.18% of General Fund Expenditures and Transfers. This is the result of \$12.3 million of revenue re-estimation, \$19.9 million of re-appropriations, and the restoration of \$0.5 million of unused resources to balance the fiscal year 2004-05 General Fund budget.
- (3) The General Fund balance is adjusted to \$ 13.5 million on May 1, 2005, or 3.40% of General Fund Expenditures and Transfers. This is the result of \$13.8 million of revenue re-estimation, \$18.5 million of re-appropriations, and the restoration of \$0.9 million of unused resources to balance the fiscal year 2005-06 General Fund budget.
- (4) The General Fund balance is adjusted to \$ 19.3 million on May 1, 2006, or 4.78% of General Fund Expenditures and Transfers. This is the result of \$10.4 million of revenue re-estimation, \$25.5 million of re-appropriations, and the restoration of \$0.4 million of unused resources to balance the fiscal year 2006-07 General Fund budget.
- (5) The General Fund balance is adjusted to \$ 19.8 million on May 1, 2007, or 4.45% of General Fund Expenditures and Transfers. This is the result of \$3.1 million of re-appropriations, and the restoration of \$0.1 million of unused resources to balance the fiscal year 2007-08 General Fund budget.
- (6) The General Fund Balance is adjusted to \$26.2 million on May 1, 2008 or 5.62% of General Fund Expenditures and Transfers. This is the result of an ending Fund Balance of \$27.6 million less \$1.4 million of re-appropriations for Police Department encumbrances.

Source: Combining Individual Funds Statements and Schedules of the City of Kansas City, Missouri Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2008.

PROPERTY TAX VALUATIONS AND REVENUES

Assessment Procedure

All taxable real and personal property within the City is assessed annually by the County Assessors. Missouri Law requires that property be assessed at the following percentages of true value:

Personal property	33-1/3%
Residential real property	19%
Agricultural and horticultural real property.....	12%
Utility, industrial, commercial railroad and all other real property.....	32%

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the state legislature adopted a maintenance law in 1986 requiring biennial reassessment of real property. Beginning January 1, 1987, and every odd-numbered year thereafter, each County Assessor must adjust the assessed valuation of all real property located within the county in accordance with the biennial assessment and equalization maintenance plan approved by the State Tax Commission.

The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

Every person owning or holding real property or tangible personal property on January 1 of any calendar year shall be liable for taxes. Certain properties, such as those used for charitable, educational and religious purposes are excluded from both the real estate ad valorem tax and personal property tax.

History of Property Valuations

The following table shows the total assessed valuation, by category, of all taxable, tangible property located in the City according to the assessment on January 1, 2007 (fiscal year 2008):

Real Property	\$5,512,212,585
Individual and Business Personal Property	1,435,441,206
Railroad and Utility Property	<u>336,260,854</u>
TOTAL	\$7,283,914,645

The total assessed valuation and estimated true valuation of all taxable, tangible property located in the City, according to the assessments on January 1 are shown in the following table:

City of Kansas City, Missouri
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Amount Expressed in Thousands)

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
1999	3,297,036	1,487,171	4,784,207	1.36	18,351,421	26.07%
2000	3,538,437	1,515,046	5,053,483	1.32	19,690,463	25.66%
2001	3,589,296	1,596,472	5,185,768	1.35	20,513,268	25.28%
2002	3,899,050	1,596,366	5,495,416	1.32	21,866,696	25.13%
2003	3,850,565	1,526,968	5,377,533	1.34	21,608,211	24.89%
2004	4,242,606	1,425,531	5,668,137	1.32	23,292,660	24.33%
2005	4,488,998	1,428,914	5,917,912	1.32	24,214,469	24.44%
2006	5,021,849	1,432,570	6,454,419	1.51	26,915,825	23.98%
2007	5,185,697	1,438,517	6,624,214	1.51	27,709,503	23.91%
2008	5,512,212	1,771,702	7,283,914	1.46	30,428,778	23.94%

Source: Original data was obtained from aggregate assessed valuation reports provided by each county clerk and on file with the State of Missouri and the Statistical Data Section of the City of Kansas City, Missouri Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2008.

Property Tax Levies and Collections

Tax Collection Procedure. The City is required by law to prepare an annual budget, which includes an estimate of the amount of revenues to be received from all sources for the budget year. The budget must also include proposed expenditures and must state the amount required for the payment of interest, amortization and redemption charges on the City's general obligation debt for the ensuing budget year.

City real estate taxes, other than for railroads and utilities, for property located in Clay County are collected by the City Treasurer. City real estate taxes for property located in Cass, Platte, and Jackson Counties are collected by the County Collector of Revenues in those Counties, who disburse such revenue to the City Treasurer. Property tax revenue collected by the City is due and payable on the first day of November and delinquent after December 31 of the year in which levied. Interest at the rate of one percent per month attaches on November 1 and each month, or part thereof, thereafter to the date of payment. Other real estate taxes as noted above and personal property taxes are due and payable to the Counties and State on November 1 and become delinquent after December 31 of the year in which they are levied.

Tax Rates. The following table shows the City's tax levies per \$100 of assessed valuation:

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Fiscal Year	City Direct Rates					Overlapping Rates		
	General	Health	Debt and interest	Museum	Total Direct Tax Rate (1)	Jackson County	Clay County	Platte County
1999	0.6800	0.4900	0.1700	0.0200	1.3600	7.8430	6.6600	6.6600
2000	0.6700	0.4900	0.1400	0.0200	1.3200	7.8030	6.5800	6.7200
2001	0.6700	0.4900	0.1700	0.0200	1.3500	7.8330	6.6530	6.7670
2002	0.6700	0.4900	0.1400	0.0200	1.3200	7.8130	6.8810	6.7440
2003	0.6800	0.5000	0.1400	0.0200	1.3400	7.8330	7.1000	6.8120
2004	0.6692	0.4872	0.1400	0.0195	1.3159	7.7879	7.1549	6.6489
2005	0.6713	0.4887	0.1400	0.0196	1.3196	7.7904	7.2682	6.9620
2006	0.6519	0.6946	0.1400	0.0190	1.5055	7.9089	8.0109	7.1046
2007	0.6519	0.6946	0.1400	0.0190	1.5055	7.9101	8.0144	7.0947
2008	0.6320	0.6728	0.1400	0.0184	1.4632	7.8368	8.2323	6.8183

(1) In addition to this total, there are special levies on assessed value of land exclusive of improvements of \$0.50 per \$100 for park maintenance and \$0.25 per \$100 for trafficway maintenance and a boulevard tax of \$1.00 per front foot.

Source: Division of Accounts and Treasury Division, Finance Department, City of Kansas City, Missouri.

The tax rate for municipal operating purposes cannot exceed \$1.00 per \$100 assessed valuation; in fiscal year 2008, the City levied 63.20 cents of this limit. The City levies an annual tax for the purpose of operating hospitals and public health facilities. In 2008, the City levied 45.47 cents per \$100 assessed valuation, plus an additional 21.31 cents per \$100 assessed valuation for a temporary nine (9) year health levy approved by the voters. For museum purposes in fiscal year 2008, the City levied 1.84 cents of the statutory maximum 10 cents per \$100 assessed valuation. There is no legal limitation on the tax rate for the payment of principal and interest on municipal bonded debt. In fiscal year 2008, the City levied 14 cents per \$100 assessed valuation.

A Missouri constitutional amendment limiting taxation and government spending, limits the rate of growth of the total amount of taxes which may be imposed in any fiscal year. The limit may not be exceeded without a majority vote. Provisions are included in the amendment for rolling back levy rates to produce an amount of revenue equal to that of the previous year. The assessed valuations of new construction, new personal property, and newly annexed areas are exempt from this limitation.

Tax Collection Record. The following table sets forth tax collection information for the last ten fiscal years:

**PROPERTY TAX LEVIES AND COLLECTIONS
(Last Ten Fiscal Years)**

Fiscal Year	Taxes Levied For the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount (1)	
1999	59,832,199.00	54,654,385.00	91.35	2,261,617.00	56,916,002.00	95.13
2000	62,689,296.00	57,499,904.00	91.72	4,840,270.00	62,340,174.00	99.44
2001	65,588,925.00	60,564,786.00	92.34	4,681,470.00	65,246,256.00	99.48
2002	67,837,113.00	62,197,047.00	91.69	4,439,975.00	66,637,022.00	98.23
2003	65,411,940.00	63,723,322.00	97.42	3,640,763.00	67,364,085.00	102.98
2004	72,536,445.00	67,045,603.00	92.43	4,880,766.00	71,926,369.00	99.16
2005	75,493,396.00	67,963,294.00	90.03	6,504,181.00	74,467,475.00	98.64
2006	92,577,050.00	86,679,031.00	93.63	4,318,080.00	90,997,111.00	98.29
2007	94,118,747.00	87,318,173.00	92.77	5,288,089.00	92,606,262.00	98.39
2008	99,772,803.00	94,242,910.00	94.46	4,902,678.00	99,145,588.00	99.37

Source: The Statistical Data Section of the City of Kansas City, Missouri Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2008.

Principal taxpayers for fiscal year 2008 are shown in the following table:

**CITY OF KANSAS CITY, MISSOURI
TOP TEN TAXPAYERS**

Taxpayer	Type of Business	Assessed Value	Percent of Valuation (1)
Kansas City Power & Light	Electrical Utility	139,502,548	1.92%
Zona Rosa Development LLC	Real Estate	99,854,270	1.37%
Hallmark / Crown Center	Greeting Card, Retail Sales	75,174,534	1.03%
AT&T	Telecommunications	55,903,698	0.77%
Ameristar Casino Kansas City	Gaming	50,703,587	0.70%
Citicorp Credit Services	Financial Services	33,087,556	0.45%
Liberty Mutual Insurance Company	Insurance Services	32,788,800	0.45%
Kansas City Star	News Media	32,779,478	0.45%
JC Nichols & Highwoods Realty Limited	Real Estate	30,256,275	0.42%
DST Systems	Computer Software Services	25,555,330	0.35%
		\$575,606,076	7.90%

(1) The total assessed valuation for fiscal year 2008 is \$7,283,914,645.

Source: Division of Accounts and Treasury Division, Finance Department, City of Kansas City, Missouri.

CASH MANAGEMENT, RISK MANAGEMENT, AND PENSION PLANS

Cash Management

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City maintains pooled and restricted investments in accordance with the City Charter, the Code of Ordinances and the City's Investment Policy.

The investment portfolio at carrying value, excluding pensions and trusts, totaled \$846,372,949 on April 30, 2008, and was distributed in the following instruments:

Collateralized Money Market Account	\$ 35,043,221
Collateralized Certificates of Deposit	23,350,000
U.S. Treasury Obligations	129,677,543
U.S. Agencies	640,299,218
Commercial Paper	7,999,504
Municipal Securities	10,003,463

The weighted average yield on these investments as of April 30, 2008 was 4.248 percent. Total earnings from investments were \$37,550,161, a 15.3 percent increase from the prior Fiscal Year 2007.

Source: Treasury Division, Finance Department, City of Kansas City, Missouri.

Risk Management (Property and Liability Coverage)

The City maintains all risk property insurance for property damage claims related to City buildings and contents, including Aviation property. The City also provides insurance for employee fraud, public official and notary bonding, a tenant and user policy for special events, excess general liability insurance, and excess workers' compensation claims.

The City purchases commercial insurance for buildings, together with their contents. The City pays an annual premium and assumes a \$150,000 deductible. The policy is renewable annually.

Boilers and machinery owned by the City are insured in the amount of \$400,000,000 with a per occurrence deductible of \$150,000.

The City is afforded governmental tort immunity pursuant to Section 537.600, RSMo. However, this state statute specifically waives the City's immunity for damages resulting from its negligence arising out of the operation of a motor vehicle and damages caused by the dangerous condition of its property. The City's liability for these damages cannot exceed the maximum amounts established in Section 537.610, RSMo, which are \$300,000 per person and \$2,000,000 per occurrence.

Therefore, the City has adopted a risk management program with regard to third party claims for damage and loss. This program would apply to any third party claims for damage or loss based on the negligence of the City or of its employees, officers and agents. The City has a retained risk fund to satisfy claims. Any third party loss exceeding the fund assets would be paid by appropriation passed by the City Council.

Employee Retirement and Pension Plans

The City has two contributory defined benefit pension plans, the Employees' Retirement System and the Firefighters' Pension System (the "Plans"), covering substantially all employees. Contributions to the Plans are made by the City and covered employees. The contributions are calculated to fund normal cost and amortization of unfunded prior service costs. The City receives annual actuarial reports on the present value of accumulated plan benefits and net assets available for benefits.

Historical trend information for the pension systems is as follows (in millions of dollars):

Funding Progress				Employer Contributions		
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Plan Year Ended April 30	Annual Required City Contribution	Percentage Contributed
<u>Employees' Retirement System</u>						
5/1/1999	508.3	445.8	114.0	1999 (1)	11.9	100
5/1/2000	597.1	517.0	115.5	2000 (1)	7.3	100
5/1/2001	623.2	573.3	108.7	2001 (1)	8.1	100
5/1/2002	634.0	630.7	100.5	2002	9.1	96.2
5/1/2003	624.9	707.5	88.3	2003	14.0	66.3
5/1/2004	627.1	740.2	84.7	2004	20.0	60.4
5/1/2005	645.6	781.9	82.6	2005	23.4	63.3
5/1/2006	745.7	800.8	93.1	2006	25.8	68.1
5/1/2007	823.0	847.4	97.1	2007	17.7	104.8
5/1/2008	873.7	934.3	93.5	2008	15.6	128.1
				2009	19.4	Not Available

Funding Progress				Employer Contributions		
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Plan Year Ended April 30	Annual Required City Contribution	Percentage Contributed
<u>Firefighters' Pension System</u>						
5/1/1999	260.5	270.0	96.5	1999 (2)	6.7	100
5/1/2000	310.0	326.3	95.0	2000 (2)	6.8	100
5/1/2001	314.4	334.8	93.9	2001 (2)	7.0	100
5/1/2002	313.6	358.7	87.4	2002 (2)	7.7	100
5/1/2003	306.2	372.0	82.3	2003 (2)	8.2	100
5/1/2004	318.8	384.2	83.0	2004 (2)	9.6	87.8
5/1/2005	332.4	392.9	84.6	2005 (2)	9.8	89.1
5/1/2006	381.4	434.0	87.9	2006 (2)	9.8	92.7
5/1/2007	412.4	447.9	92.10	2007 (2)	9.4	100.5
5/1/2008	447.2	478.7	93.4	2008 (2)	8.7	113.8
				2009 (2)	9.5	Not Available

- (1) For Plan year's ended April 30, 1999 through April 30, 2001, Annual Required Contributions are restated upwards from the figures previously presented in order to match Actual Contributions. This footnote applies only to the Employees' Retirement System.
- (2) Actual contributions are shown for plan years ended April 30, 1999 through April 30, 2003 since the effective amortization period is allowable by GASB. The annual required contribution for the plan years ended April 30, 2004 and beyond is based on a 30-year amortization period, which is allowable by GASB.

Sources:

- (1) Retirement Division, Human Resources Department, City of Kansas City, Missouri. Report prepared by Cheiron.

Police & Civilian Employees' Retirement System

Two contributory defined benefit pension plans ("Plans") have been established by the Missouri General Assembly for the employees of the Kansas City, Missouri Police Department, the Police Retirement System of Kansas City, Missouri and the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri. The participating employees and the City of Kansas City, Missouri make contributions to the plans. The Board of Trustees contract for annual actuarial valuations to determine the present value of accumulated plan benefits and net assets available for benefits. The contribution rates are calculated to fund normal costs and to amortize the unfunded actuarial accrued liability. The historical trend information for the pension systems is as follows (in millions of dollars):

Funding Progress				Employer Contributions		
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Fiscal Year Ended	Annual Required City Contribution	Percentage Contributed
<u>Police Retirement System</u>						
4/30/1999 (2)	484.4	521.6	92.9%	1999	9.9	104%
4/30/2000 (2)	584.5	589.6	99.1%	2000	9.2	118%
4/30/2001 (2)	600.1	615.3	97.5%	2001	10.8	106%
4/30/2002 (2)	620.9	648.6	95.7%	2002	10.8	104%
4/30/2003 (1) (2)	611.2	682.7	89.5%	2003	11.6	104%
4/30/2004 (2)	603.4	712.3	84.7%	2004 (1)	15.1	85%
4/30/2005 (2)	604.6	741.0	81.6%	2005	15.8	84%
4/30/2006 (2)	635.6	775.3	82.0%	2006	19.0	72%
4/30/2007 (2)	698.1	807.9	86.4%	2007	21.4	68%
4/30/2008 (2)	742.0	850.7	87.2%	2008	22.7	69%
				2009	24.3	Not Available
<u>Civilian Employees' Retirement System</u>						
4/30/1999 (2)	47.6	48.6	97.9%	1999	1.0	65%
4/30/2000 (2)	56.9	56.0	101.5%	2000	1.2	82%
4/30/2001 (2)	61.9	62.1	99.7%	2001	1.3	102%
4/30/2002 (2)	66.4	67.8	97.9%	2002	1.4	101%
4/30/2003 (1)(2)	68.2	83.0	82.1%	2003	1.8	89%
4/30/2004 (2) (3)	69.9	89.1	78.4%	2004 (1)	2.9	54%
4/30/2005 (2)	72.4	97.1	74.5%	2005	3.1	52%
4/30/2006 (2)	78.8	105.9	74.4%	2006 (3)	3.5	62%
4/30/2007 (2)	89.1	110.4	80.7%	2007	3.9	70%
4/30/2008 (2)	98.0	117.6	83.3%	2008	4.2	80%
				2009	4.3	Not Available

(1) After changes in actuarial assumptions or methods.

(2) For valuation years 2001 and prior, and 2007 and later valuation, payroll includes projected salary increases for year following valuation. For valuation years 2002 through 2006, valuation payroll is payroll reported in data after annualization of pays for new hires.

(3) After changes in benefit provisions.

Sources: Human Resources Division, City of Kansas City, Missouri Police Department.

In July 2004, the Governmental Accounting Standards Board (“**GASB**”) issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. Specifically, the City is required to measure and disclose an amount for annual OPEB cost on the accrual basis for health benefits that will be provided to retired employees in future years. The disclosure requirement for the City begins with the fiscal year ending April 30, 2008.

The following table displays specific information from the City's and Police Department's most recent OPEB actuarial reports (in thousands):

Other Post Employment Benefits (OPEB)						
Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability (AAL) entry age	(b)-(a) Unfunded (assets in excess of) AAL (UAAL)	(a)/(b) Funded ratio	(c) Covered payroll	[(b)-(a)]/(C) UAAL as a percentage of covered payroll
<i>City of Kansas City - Employee/Firefighter Other Post Employment Benefits</i>						
5/1/06	\$ -	150,376	150,376	—%	\$ 193,387	77.76%
<i>Board of Police Commissioners -Police Civilian Other Post Employment Benefits</i>						
5/1/06	\$ -	31,356	31,356	—%	\$ 92,800	33.79%

Source: Required Supplementary Section of the City of Kansas City, Missouri Comprehensive Annual Report for Fiscal Year 2008.

DEBT INFORMATION

Prepared by Treasury Division Staff

Debt Structure of the City

General Obligation Bonds. The City is authorized to issue general obligation bonds payable from ad valorem taxes to finance capital improvements upon a four-sevenths (4/7) majority vote of qualified voters at the general municipal election day, primary or general elections and a two-thirds (2/3) majority vote at all other elections. At the general election on April 6, 2004, voters authorized the issuance of \$300,000,000 in General Obligation Bonds. Of that amount, voters approved: 1) \$250,000,000 for the purpose of paying for deferred maintenance and basic capital infrastructure such as streets, bridges, catch basins and other capital projects, 2) \$30,000,000 for the purpose of paying for deferred maintenance and capital infrastructure and improvements for the Kansas City Zoological Garden, and 3) \$20,000,000 for the purpose of paying for capital improvements for the World War I Museum Project at Liberty Memorial Museum Project, which includes the construction, acquisition, renovation, equipping, furnishing and other costs for the museum, exhibits, library and educational facilities.

Neighborhood Improvement District Bonds. The City may also issue certain neighborhood improvement district ("NID") bonds without a vote and these bonds are payable as to both principal and interest from special assessments against real property benefitted by the acquisition and construction of improvement and, if not so paid, from current income and revenues and surplus funds of the City. The City indebtedness of NID bonds, shall be treated equally as general obligation indebtedness, except that the City is not authorized to impose any new or increased ad valorem property tax to pay principal and interest on the NID bonds without voter approval.

As of April 30, 2008 (fiscal year end), the City had an outstanding total aggregate principal amount of \$311,325,000 of general obligation bonds, which includes the outstanding balance of \$535,000 Neighborhood Improvement District Bonds. The remaining general obligation voted authority is \$104,915,000.

Revenue Bonds, Notes and Loans. The City is authorized to issue revenue bonds to finance capital improvements for its water system, pollution control sewerage system, airport facilities and museum. These types of revenue bonds presently require a simple majority vote of the qualified electorate voting on specific questions. Under current State Law, the City has the authority to issue revenue bonds without an election to finance the building of toll fee bridges and toll fee parking facilities. All revenue bonds issued by the City are payable out of the revenues derived from the operation of the facility that is financed from the proceeds of such bonds. Revenue bonds do not carry the full faith and credit of the City in servicing the bonded indebtedness and such bonds are not considered in determining the legal debt margin.

As of April 30, 2008, the City had an outstanding total of \$743,392,289 aggregate principal amount of revenue bonds which includes \$192,035,089 in water revenue bonds and lease purchase agreements, \$175,030,000 in sewer revenue bonds, \$253,385,000 in airport revenue bonds and \$117,265,000 in airport passenger facility charge revenue bonds. To match funds from grants for storm water projects, the City entered into loans with the Missouri Department of Natural Resources ("MDNR"). As of April 30, 2008, the City had an outstanding total of \$5,677,200 aggregate principal amount of MDNR storm loans.

As of April 30, 2008, the City had remaining voted authority for \$240,416,000 in airport revenue bonds, \$225,090,000 in water revenue bonds, \$210,000,000 in sewer bonds and \$5,000,000 in museum revenue bonds.

After April 30, 2008, the following revenue bonds, leases and loans were issued:

Issue Date	Bond/Lease/Loan Description	Par Amount
September 3, 2008	General Improvement Airport Refunding Revenue Bonds, Series 2008A	\$28,580,000
March 12, 2009	Water Refunding and Improvement Revenue Bonds, Series 2009A	\$198,915,000 ⁽¹⁾

- (1) The Series 2009A were issued to refund the Series 1996A, 1996B, 1998A, 1998B, 2000A, 2002C, 2004D and 2005F Bonds and issued 69,000,000 in new money. The bonds were issued to allow the City to clear the old bond ordinances and create a new master ordinance for water revenue bonds. The net present value achieved is \$2,265,675.81. After the issuance of the new money portion, the remaining balance of water revenue bonds voted authorization is \$156,090,000.

Lease Revenue Bonds and Equipment Leases. The City may enter into financing arrangements for building projects through lease-leaseback purchase agreements with not-for-profit corporations or bond issuing authorities, which may issue tax-exempt bonds without voter approval to finance City projects. The City has financed several projects through the Kansas City Municipal Assistance Corporation (“KCMAC”). The City makes annual lease payments under these lease arrangements in an amount required to pay debt service on the bonds. The City's obligations under these leases are subject to annual appropriation and must be budgeted each year and do not constitute an indebtedness of the City beyond the current lease term. As of April 30, 2008, the City had capital leases pursuant to such arrangements outstanding at total aggregate principal of \$399,993,155. (Note: See page C-22 with regards to the refunding of KCMAC Series 2004A and 2005, Bartle Hall Convention Center Project Bonds.)

From time to time, the City enters into lease purchase agreements for real property and equipment, such as the purchase of land, buildings, communications equipment, vehicles, and computer hardware. As of April 30, 2008, the City had an outstanding aggregate principal total of \$50,985,969 of such equipment leases.

Limited Obligation Notes and Bonds. As of April 30, 2008, the City had outstanding a total of \$795,337,500 aggregate principal in limited obligation bonds and notes that do not constitute an indebtedness of the City. The City has agreed, subject to annual appropriation, to pay any debt service on three separate bond series issued by the Planned Industrial Expansion Authority of Kansas City to finance improvements of the City Market, Kemper Arena and 300 Wyandotte Parking Garages. These series have an outstanding total aggregate principal balance of \$29,550,000

As of April 30, 2008, notes and bonds issued by the Missouri Development Finance Board (“MDFB”) and secured by an annual appropriation pledge of the City were outstanding at a total of \$2,882,500 aggregate principal. The MDFB notes and bonds include the following: \$507,500 principal outstanding for the MDFB Loan issued in 1996 to finance the Harley-Davidson Project and \$2,375,000 principal outstanding for the Series 1998 Taxable Infrastructure Facilities Revenue Bonds to finance the Valentine Shopping Center Redevelopment Project.

As of April 30, 2008, lease revenue bonds issued by the Land Clearance for Redevelopment Authority (“LCRA”) were outstanding at a total of \$33,585,000 in aggregate principal amount which includes the following: \$4,290,000 principal outstanding for the Series 1996A Bonds for financing the renovations of the Metropolitan Ambulance Services Trust Facility; \$29,295,000 principal outstanding for the Series 2005E Bonds for refinancing the Series 1995A Municipal Auditorium and Muehlebach Hotel Redevelopment Projects and providing new monies for the Auditorium Plaza Garage. The LCRA bonds are secured by an annual appropriation pledge of the City.

The City issued eleven (11) series of leasehold revenue bonds under the Industrial Development Authority of Kansas City, Missouri (“IDA”) three of which have been marketed as special obligation bonds. The total bonds outstanding as of April 30, 2008, are \$588,140,000; this includes the Series 2001 Bonds issued to finance the Century Towers Redevelopment Project, which has an outstanding balance of \$16,590,000. In addition, the Series 2005A & B and 2006 A & B issued to help finance the City's Downtown Redevelopment District have outstanding balances of \$179,900,000 and 115,000,000 respectively as of April 30, 2008 and the Series 2005 C & D and 2006E for the City's Downtown Arena Project have balances of \$199,530,000 and \$29,140,000 respectively. The Civic Mall Project's balance is \$5,075,000 and the Midtown and Uptown Redevelopment have a balance of \$42,905,000. All of the IDA's bonds have an annual appropriation pledge of the City.

The Tax Increment Financing Commission of Kansas City, Missouri (“TIFC”) has issued bonds on behalf of the City. The total bonds outstanding as of April 30, 2008 are \$52,925,000. As of April 30, 2008, \$6,585,000 Series 2003A (Tax-Exempt) and \$5,875,000 Series 2003B (Tax-Exempt) Refunding and Improvement Variable Rate Demand Bonds for the Chouteau I-35 Project, \$17,470,000 (President Hotel Project), \$15,570,000 (Blue Parkway Town Center Retail Project) and \$7,425,000 (909 Walnut Parking Garage Project) series of bonds remain outstanding. These bonds have an annual appropriation pledge of the City.

As of April 30, 2008, the Special Obligation Bonds issued by the City have an outstanding balance of \$57,805,000. This includes the \$28,495,000 outstanding balance of the Series 2008A, which is comprised of the following projects: \$5,875,000 for the Refunding KCMAC Hodge Park Series 1998A, \$2,165,000 for the Swope Ridge Geriatric Center, \$2,920,000 for the Second Street Streetscape Project, \$14,115,000 for the Tow Lot Project and \$3,420,000 for the Columbus Park Project. The aforementioned balance also includes the Special Obligation Bonds (East Village Project), Series 2008B with a balance of \$29,310,000 as of April 30, 2008. The Special Obligation Bonds are secured by an annual appropriation of the City.

On August 1, 2005, the City issued special facility revenue bonds to fund the Kansas City International Airport Overhaul Base project. The bonds were issued under the August 2000 airport revenue bonds authorization. The bonds are special limited obligations of the City from certain lease revenues, sales tax revenues and the Extension and Bond Retirement Account of the Airport Fund. Subject to annual appropriation, the bonds are also payable from the other funds of the City. As of April 30, 2008, the outstanding balance is \$30,450,000.

The following limited obligation bonds were issued after April 30, 2008:

Issue Date	Bond Name	Par Amount
July 29, 2008	Special Obligation Refunding Bonds (Arena Project), Series 2008C	\$204,525,000 ⁽¹⁾
	Series 2008D	\$ 16,465,000
August 13, 2008	Variable Rate Demand Tax-Exempt Special Obligation Refunding Bonds (H. Roe Bartle Convention Center Project) Series 2008E	\$ 81,400,000 ⁽²⁾
	Series 2008F	\$ 20,865,000
March 19, 2009	Variable Rate Demand Taxable Special Obligation Refunding Bonds (909 Walnut Parking Facility Project), Series 2009A	\$7,490,000 ⁽³⁾
March 25, 2009	Industrial Development Authority Variable Rate Demand Tax-Exempt Revenue Bonds (KC Live) Series 2005B	\$64,985,000 ⁽⁴⁾
	Series 2006A	\$69,500,000
	Series 2006B	\$46,135,000

- (1) The new Series 2008C and D were issued to convert the original Variable Rate Demand Improvement Revenue Bonds Series 2005C, 2005D and 2006E to fixed rate bonds.
- (2) The new Series 2008E and 2008F were issued to remove the bond insurer of the KCMAC Bartle Hall Series 2004A and 2005. The Letter of Credit providers for Series 2008E and 2008F were assigned, namely Bank of America and Dexia Credit Local, respectively.
- (3) The new Series 2009A was issued to remove the bond insurer of the TIF Variable Rate Demand Taxable Tax Increment Revenue Bonds (909 Walnut Parking Facility), Series 2005 Bonds. U.S. Bank National Association is the Letter of Credit provider for Series 2009A Bonds.
- (4) The Series 2005B, 2006A & 2006B were reissued to remove the bond insurer. JP Morgan is the Letter of Credit provider for the aforementioned bonds.

Missouri Transportation Finance Corporation ("MTFC") Loans. The City entered into a direct loan agreement with MTFC for \$10,000,000. Loan proceeds will be used for the construction of a new Paseo Bridge. MTFC will disburse the funds to the City in five (5) annual installments. As of April 30, 2008, the City has received \$2 million.

Tax and Revenue Anticipation Notes. At the present time the City has no tax and revenue anticipation notes outstanding and has no plans to issue such notes in the immediate future.

Debt Service Requirements

The following debt service tables show the principal and interest requirements for each respective fiscal year for City's outstanding debt as of March 19, 2009:

PRINCIPAL AND INTEREST REQUIREMENTS ON OUTSTANDING OBLIGATIONS AS OF MARCH 31, 2009

Fiscal Year	Outstanding Long-Term General Obligation Bonds			% of Principal Retired
	Principal	Interest	Total*	
2009	17,225,000	14,763,796	31,988,796	
2010	17,010,000	14,357,976	31,367,976	
2011	13,085,000	13,538,090	26,623,090	
2012	12,660,000	12,932,611	25,592,611	
2013	15,335,000	12,325,419	27,660,419	24.19%
2014	16,550,000	11,645,063	28,195,063	
2015	17,650,000	10,835,310	28,485,310	
2016	18,905,000	9,970,975	28,875,975	
2017	20,030,000	9,044,623	29,074,623	
2018	12,870,000	8,061,183	20,931,183	51.82%
2019	13,915,000	7,434,855	21,349,855	
2020	14,990,000	6,755,715	21,745,715	
2021	16,160,000	6,021,748	22,181,748	
2022	17,380,000	5,218,213	22,598,213	
2023	17,755,000	4,353,225	22,108,225	77.58%
2024	16,790,000	3,468,150	20,258,150	
2025	13,970,000	2,631,450	16,601,450	
2026	14,670,000	1,952,250	16,622,250	
2027	15,415,000	1,218,750	16,633,750	
2028	8,960,000	448,000	9,408,000	100.00%
	<u>\$ 311,325,000</u>	<u>\$ 156,977,400</u>	<u>\$ 468,302,400</u>	

* Debt service represents amount due for the whole Fiscal Year.

Fiscal Year	Outstanding Long-Term Debt PFC and Airport Revenue Bonds			% of Principal Retired
	Principal	Interest	Total	
2009	18,395,000	17,981,772	36,376,772	
2010	18,940,000	16,918,686	35,858,686	
2011	18,645,000	15,961,764	34,606,764	
2012	19,555,000	15,007,140	34,562,140	
2013	20,245,000	14,044,864	34,289,864	25.91%
2014	25,270,000	12,949,358	38,219,358	
2015	26,455,000	11,715,435	38,170,435	
2016	27,410,000	10,395,831	37,805,831	
2017	28,710,000	8,983,455	37,693,455	
2018	30,095,000	7,506,955	37,601,955	63.21%
2019	24,545,000	6,182,153	30,727,153	
2020	16,215,000	5,219,858	21,434,858	
2021	17,025,000	4,407,041	21,432,041	
2022	12,135,000	3,700,643	15,835,643	
2023	12,740,000	3,107,538	15,847,538	85.57%
2024	13,380,000	2,482,508	15,862,508	
2025	14,045,000	1,823,625	15,868,625	
2026	14,755,000	1,130,630	15,885,630	
2027	5,455,000	401,256	5,856,256	
2028	5,720,000	135,850	5,855,850	100.00%
	<u>\$ 369,735,000</u>	<u>\$ 160,056,360</u>	<u>\$ 529,791,360</u>	

This debt service schedule does not include the Special Facility Airport Revenue Bonds Series 2005G. They are included under the table, "Outstanding Long-Term Debt Other Limited Obligations Notes and Bonds" on page C-30.

* Debt service represents amount due for the whole Fiscal Year.

	Outstanding Long-Term Debt			% of
Fiscal	Water Revenue Bonds and Lease Purchase Agreements			Principal
Year	Principal	Interest	Total	Retired
2009	12,770,828	8,417,753	21,188,581	
2010	11,259,689	8,234,200	19,493,889	
2011	14,431,993	10,370,832	24,802,825	
2012	15,267,176	9,783,432	25,050,608	
2013	14,267,362	9,175,597	23,442,960	26.42%
2014	14,736,391	8,703,784	23,440,175	
2015	15,459,435	8,103,465	23,562,901	
2016	13,321,666	7,496,214	20,817,881	
2017	13,923,176	6,892,623	20,815,800	
2018	12,132,372	6,294,152	18,426,524	53.45%
2019	12,035,000	5,724,368	17,759,368	
2020	12,020,000	5,150,124	17,170,124	
2021	12,540,000	4,606,632	17,146,632	
2022	11,220,000	3,986,279	15,206,279	
2023	11,655,000	3,523,982	15,178,982	76.56%
2024	10,965,000	2,948,508	13,913,508	
2025	9,320,000	2,414,749	11,734,749	
2026	5,850,000	1,983,497	7,833,497	
2027	6,120,000	1,707,832	7,827,832	
2028	6,500,000	1,419,440	7,919,440	91.62%
2029	3,900,000	1,113,188	5,013,188	
2030	4,085,000	927,938	5,012,938	
2031	4,300,000	713,475	5,013,475	
2032	4,525,000	487,725	5,012,725	
2033	4,765,000	250,163	5,015,163	100.00%
	\$ 257,370,089	\$ 120,429,950	\$ 377,800,039	

- (1) The Series 2009A were issued to refund the Series 1996A, 1996B, 1998A, 1998B, 2000A, 2002C, 2004D and 2005F Bonds and issue \$69,000,000 in new money.

* Debt service represents amount due for the whole Fiscal Year.

Fiscal Year	Outstanding Long-Term Debt Sanitary Sewer Revenue Bonds			% of Principal Retired
	Principal	Interest	Total	
2009	10,805,000	8,471,085	19,276,085	
2010	11,155,000	7,957,984	19,112,984	
2011	11,520,000	7,431,356	18,951,356	
2012	11,935,000	6,868,919	18,803,919	
2013	11,605,000	6,292,046	17,897,046	32.58%
2014	12,010,000	5,701,405	17,711,405	
2015	12,330,000	5,087,983	17,417,983	
2016	11,280,000	4,442,675	15,722,675	
2017	9,670,000	3,857,510	13,527,510	
2018	8,605,000	3,369,601	11,974,601	63.37%
2019	8,920,000	2,959,779	11,879,779	
2020	8,520,000	2,528,856	11,048,856	
2021	8,375,000	2,105,240	10,480,240	
2022	7,135,000	1,726,200	8,861,200	
2023	6,430,000	1,381,456	7,811,456	85.87%
2024	4,935,000	1,133,731	6,068,731	
2025	3,695,000	906,863	4,601,863	
2026	2,010,000	725,388	2,735,388	
2027	2,100,000	624,888	2,724,888	
2028	2,195,000	530,388	2,725,388	94.40%
2029	2,290,000	431,613	2,721,613	
2030	2,395,000	328,563	2,723,563	
2031	2,500,000	223,781	2,723,781	
2032	2,615,000	114,406	2,729,406	
	<u>\$ 175,030,000</u>	<u>\$ 75,201,715</u>	<u>\$ 250,231,715</u>	100.00%

* Debt service represents amount due for the whole Fiscal Year.

Fiscal Year	Outstanding Long-Term Debt Storm Water Loan			% of Principal Retired
	Principal	Interest	Total	
2009	361,700	90,502	452,202	
2010	365,900	84,717	450,617	
2011	370,900	78,847	449,747	
2012	378,000	72,889	450,889	
2013	383,100	66,825	449,925	32.76%
2014	389,200	60,678	449,878	
2015	396,300	54,426	450,726	
2016	402,500	48,068	450,568	
2017	408,600	41,609	450,209	
2018	415,800	35,045	450,845	68.20%
2019	422,000	28,373	450,373	
2020	428,200	21,601	449,801	
2021	434,600	14,722	449,322	
2022	353,000	7,749	360,749	
2023	27,000	2,155	29,155	97.53%
2024	28,000	1,770	29,770	
2025	28,000	1,378	29,378	
2026	29,000	979	29,979	
2027	29,000	573	29,573	
2028	26,400	185	26,585	100.00%
	<u>\$ 5,677,200</u>	<u>\$ 713,087</u>	<u>\$ 6,390,287</u>	

* Debt service represents amount due for the whole Fiscal Year.

Outstanding Long-Term Debt			% of
MTFC Loan ⁽¹⁾			Principal
Principal	Interest	Total	Retired
172,369	76,674	249,043	
359,725	160,761	520,486	
590,348	229,652	820,000	
866,829	288,857	1,155,686	
1,203,247	336,451	1,539,698	31.93%
1,253,783	285,914	1,539,698	
1,306,442	233,255	1,539,698	
1,361,313	178,385	1,539,698	
1,418,488	121,210	1,539,698	
1,467,455	61,633	1,529,089	100.00%
\$ 10,000,000	\$ 1,972,792	\$ 11,972,792	

(1) The Missouri Transportation Finance Commission will disburse the funds to the City in five installment payments of \$2,000,000 each.

* Debt service represents amount due for the whole fiscal year.

Fiscal Year	Outstanding Long-Term Debt KCMAC Leasehold Revenue Bonds			% of Principal Retired
	Principal	(1) Interest	Total	
2009	11,512,228	18,118,012	29,630,240	
2010	23,239,886	15,261,968	38,501,854	
2011	15,205,000	9,412,910	24,617,910	
2012	17,040,000	8,749,395	25,789,395	
2013	14,595,000	7,935,325	22,530,325	27.33%
2014	15,575,000	7,263,423	22,838,423	
2015	16,585,000	6,540,598	23,125,598	
2016	19,515,000	5,765,740	25,280,740	
2017	17,015,000	4,842,020	21,857,020	
2018	17,410,000	4,016,458	21,426,458	56.18%
2019	25,750,000	3,170,995	28,920,995	
2020	21,110,000	1,905,988	23,015,988	
2021	14,708,183	9,263,261	23,971,444	
2022	11,043,451	9,718,137	20,761,588	
2023	10,749,498	10,390,259	21,139,756	84.11%
2024	7,209,817	9,643,627	16,853,444	
2025	1,080,000	95,119	1,175,119	
2026	7,708,309	13,305,910	21,014,219	
2027	6,421,104	14,218,896	20,640,000	
2028	6,326,780	15,143,220	21,470,000	93.74%
2029	6,233,252	16,101,748	22,335,000	
2030	6,105,467	17,114,533	23,220,000	
2031	6,010,211	18,139,790	24,150,000	
2032	349,971	1,140,029	1,490,000	100.00%
	<u>\$ 298,498,155</u>	<u>\$ 227,257,358</u>	<u>\$ 525,755,513</u>	

(1) Remarketing and Bank Fees are included in the total interest for FY 2009 only.

* Debt service represents amount due for the whole Fiscal Year.

Fiscal Year	Outstanding Long-Term Debt Lease Purchase Agreements ⁽¹⁾			% of Principal Retired
	Principal	Interest	Total	
2009	10,571,917	1,896,986	12,468,903	
2010	8,994,831	1,462,605	10,457,435	
2011	9,071,738	1,099,767	10,171,506	
2012	8,225,871	743,713	8,969,584	
2013	6,820,050	447,982	7,268,032	85.68%
2014	5,096,076	190,904	5,286,980	
2015	1,889,360	51,910	1,941,270	
2016	316,124	4,313	320,437	
	<u>\$ 50,985,968</u>	<u>\$ 5,898,179</u>	<u>\$ 56,884,147</u>	100.00%

(1) The Legislative Tracking System 2001 account was closed and the remaining balance was applied toward debt so the schedule was re-amortized.

* Debt service represents amount due for the whole Fiscal Year.

Outstanding Long-Term Debt Other Limited Obligation Notes and Bonds

Outstanding Long-Term Debt											% of
Fiscal	Other Limited Obligations Notes and Bonds			President Hotel 2009B		Chouteau 2009C		Chouteau 2009D			Principal
Year	Principal	Interest ⁽¹⁾	Total	Principal	Interest ⁽²⁾	Principal	Interest ⁽²⁾	Principal	Interest ⁽²⁾	Debt Service*	Retired
2009	12,310,000	46,136,750	58,446,750							58,446,750	
2010	16,790,000	43,453,988	60,243,988	385,000	1,276,462	260,000.00	350,152	270,000	423,282	63,208,884	
2011	19,395,000	42,606,503	62,001,503	430,000	1,275,879	275,000.00	343,550	275,000	412,462	65,013,393	
2012	20,592,500	41,743,138	62,335,638	470,000	1,244,253	295,000.00	328,644	300,000	391,951	65,365,485	
2013	22,295,000	40,768,765	63,063,765	525,000	1,207,727	315,000.00	311,992	325,000	368,998	66,117,482	10.72%
2014	24,225,000	39,722,178	63,947,178	570,000	1,168,069	345,000.00	294,523	345,000	344,494	67,014,263	
2015	27,465,000	38,499,296	65,964,296	625,000	1,124,952	365,000.00	275,447	370,000	318,451	69,043,146	
2016	26,160,000	37,239,625	63,399,625	680,000	1,078,483	400,000.00	255,446	400,000	290,709	66,504,263	
2017	25,415,000	35,909,809	61,324,809	740,000	1,026,293	420,000.00	233,091	430,000	260,296	64,434,489	
2018	26,885,000	34,667,673	61,552,673	795,000	970,440	450,000.00	209,844	460,000	227,849	64,665,806	26.15%
2019	28,250,000	33,294,075	61,544,075	865,000	910,347	480,000.00	184,943	480,000	193,214	64,657,578	
2020	27,915,000	31,849,028	59,764,028	930,000	845,645	510,000.00	158,547	515,000	157,093	62,880,313	
2021	29,010,000	30,420,220	59,430,220	1,005,000	774,774	540,000.00	130,188	545,000	118,151	62,543,332	
2022	32,610,000	28,887,485	61,497,485	1,075,000	698,941	570,000.00	100,339	585,000	77,010	64,603,773	
2023	26,245,000	27,374,794	53,619,794	1,160,000	617,747	610,000.00	68,787	460,000	32,530	56,568,858	43.47%
2024	30,080,000	25,970,658	56,050,658	1,255,000	530,497	650,000.00	33,019		-	58,519,173	
2025	47,820,000	24,320,700	72,140,700	1,350,000	435,344		-			73,926,044	
2026	30,715,000	21,262,873	51,977,873	1,435,000	333,530		-			53,746,403	
2027	32,875,000	19,678,810	52,553,810	1,545,000	225,169					54,323,979	
2028	36,510,000	17,997,857	54,507,857	1,560,000	104,346					56,172,203	64.31%
2029	34,280,000	16,232,703	50,512,703							50,512,703	
2030	36,480,000	14,474,318	50,954,318							50,954,318	
2031	36,245,000	12,664,165	48,909,165							48,909,165	
2032	45,955,000	10,927,972	56,882,972							56,882,972	
2033	46,350,000	8,535,104	54,885,104							54,885,104	86.67%
2034	39,850,000	6,192,511	46,042,511							46,042,511	
2035	11,300,000	4,252,273	15,552,273							15,552,273	
2036	12,045,000	3,649,479	15,694,479							15,694,479	
2037	12,830,000	3,006,746	15,836,746							15,836,746	
2038	13,515,000	2,321,753	15,836,753							15,836,753	96.72%
2039	14,240,000	1,599,489	15,839,489							15,839,489	
2040	15,020,000	821,445	15,841,445							15,841,445	100.00%
	<u>\$ 861,672,500</u>	<u>\$ 746,482,181</u>	<u>\$ 1,608,154,681</u>	<u>\$ 17,400,000</u>	<u>\$ 15,848,894</u>	<u>\$ 6,485,000</u>	<u>\$ 3,278,511</u>	<u>\$ 5,760,000</u>	<u>\$ 3,616,488</u>	<u>\$ 1,660,543,575</u>	

- (1) The "Interest Column" includes six (6) variable rate demand (VRDO) tax-exempt and taxable bonds. Future interest rates on these bonds were base on an estimate interest rate of 3.3% to 7.5% and 5.50% for tax-exempt and taxable VRDO bonds, respectively. In addition, remarketing bank surveillance fees for variable rate demand bonds were also added to the total interest amounts. Rate assumptions are for illustration purposes and actual rates will vary.
- (2) Future interest rates were based at 3.50% and 5.50% for tax-exempt and taxable VRDO bonds, respectively. In addition, remarketing bank surveillance fees for variable rate demand bonds were also added to the total interest amounts. Rate assumptions are for illustration purposes and actual rates may vary. Estimated interest for the whole Fiscal year 2009 is included in column one (1), "Interest."
- (3) The Special Facility Airport Revenue Bonds, Series 2005G, which has an annual appropriation of the City, is included in the above total.

* Debt service represents amount due for the whole Fiscal Year.

Authority

The following table summarizes the City's total bond authority as of March 31, 2009:

AUTHORIZED UNISSUED DEBT *(Amounts Expressed in Thousands)*

Type/Purpose	Authorized		Amount Issued	Total Unissued
	Date	Amount		
<u>General Obligation Bonds:</u>				
Deferred Maintenance and Capital Infrastructure	April 6, 2004	250,000	149,585	100,415
KC Zoological Garden	April 6, 2004	30,000	25,500	4,500
Liberty Memorial Museum	April 6, 2004	20,000	20,000	0
Subtotal		\$300,000	\$195,085	\$104,915
<u>Revenue Bonds:</u>				
Kansas City Museum	Mar. 8, 1988	5,000	0	5,000
Airport	Aug. 8, 2000	395,000	154,584	240,416
Water System	Aug. 6, 1996	150,000	150,000	0
Water System	Aug. 2, 2005	250,000	93,910	156,090
Sewer	Aug.2, 2005	250,000	40,000	210,000 ⁽¹⁾
Subtotal		\$1,050,000	\$438,494	\$611,506
TOTAL		\$1,350,000	\$564,579	\$785,421

(1) The Sanitary Sewer Bonds Series 2009A in the amount of \$69,480,000 will close on April 8, 2009 which will leave \$140,520,000 in remaining authority for the issuance of sanitary sewer revenue bonds authorized by the August 2, 2005 election.

Source: Treasury Division, Finance Department, City of Kansas City, Missouri.

History of Indebtedness

The following tables set forth the general bonded debt information pertaining to the City as of the end of the last ten fiscal years.

City of Kansas City, Missouri
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Amounts Expressed In Thousands)

Fiscal Year		General Obligation Bonds (1)	Other Bonds and Leases (2)	Total	Percentage of Actual Taxable Value(1) of Property	Per Capita
1999	\$	121,460	440,440	561,900	3.06%	1,284
2000		114,395	462,378	576,773	2.93%	1,305
2001		164,365	425,509	589,874	2.88%	1,332
2002		164,150	476,164	640,314	2.93%	1,444
2003		153,990	481,388	635,378	2.94%	1,434
2004		161,955	498,020	659,975	2.83%	1,489
2005		242,020	1,048,257	1,290,277	5.33%	2,908
2006		228,130	1,079,596	1,307,726	4.86%	2,927
2007		289,725	1,204,937	1,494,662	5.39%	3,319
2008		311,325	1,217,867	1,529,192	5.03%	3,390

1) In Fiscal Year 1999 to 2000, Notes to General Purpose Financial Statements included the outstanding balance of the General Obligation Bonds, Series 1998 crossover refunding bonds and the amount it refunded. The outstanding principal balance above only includes the balance of Series 1998.

Only the general obligation bonds of the City are payable as to both principal and interest from ad valorem taxes.

(2) Includes KCMAC leasehold revenue bonds, lease purchase agreements and other limited obligations. It also includes actual outstanding balances of bonds that were considered as "contingent liabilities" in the City of Kansas City, Missouri's CAFR for Fiscal Year 2008. It does not include the Special Facility Airport Revenue Bonds, Series 2005G. The series 2005G were classified under business type activities in the CAFR.

Note: The Debt per Capita may change from time to time due to periodic review of the population estimates by the U.S. Census Bureau.

Source: Statistical Data Section of the City of Kansas City, Missouri Comprehensive Annual Report for Fiscal Year 2008.

Direct and Overlapping Indebtedness

Other governmental entities whose boundaries overlap the City have outstanding bonds payable from ad valorem taxes. The following statements of direct and estimated overlapping ad valorem and other net direct debt were compiled from a survey of the various taxing districts.

CITY OF KANSAS CITY, MISSOURI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
APRIL 30, 2008

	General obligation and other net direct debt	Percentage applicable to this municipality (1)	Municipality's share of debt
	<hr/>	<hr/>	<hr/>
Direct debt:			
City of Kansas City	\$ 1,559,641,624 (2)	100.0%	\$ 1,559,641,624 (3)
	<hr/>		<hr/>
Overlapping debt:			
Clay County	\$ 20,614,291	46.2%	9,523,802
Jackson County	601,086,982	43.8%	263,276,098
Platte County	62,527,147	53.5%	33,452,024
Cass County	—	0.0%	—
Metropolitan Junior College District	74,110,923	55.2%	40,909,229
Platte County School Districts:			
A. Park Hill Reorganized No. 5	96,487,489	43.0%	41,489,620
B. Platte County Reorganized No. 3	73,271,755	40.0%	29,308,702
Clay County School Districts:			
C. Smithville No. 27	23,345,000	3.4%	793,730
D. North Kansas City No. 74	244,268,443	83.1%	202,987,076
E. Liberty No. 53	162,257,151	1.0%	1,622,571
Jackson County School Districts:			
F. Kansas City No. 33	67,185,000	93.0%	62,482,050
G. Raytown No. 2	97,505,000	45.0%	43,877,250
H. Independence No. 30	121,046,329	2.8%	3,389,297
I. Lee's Summit Reorganized No. 7	277,635,000	99.0%	274,858,650
J. Center No. 58	39,310,000	100.0%	39,310,000
K. Hickman Mills Consolidated No. 1	32,505,000	1.0%	325,050
L. Grandview Consolidated No. 4	38,305,380	52.1%	19,957,103
	<hr/>		<hr/>
Total overlapping debt	\$ 2,031,460,890		1,067,562,252
	<hr/>		<hr/>
Total direct and overlapping debt			\$ 2,627,203,876
			<hr/>

- (1) The percentage is derived by dividing the total assessed valuation of the taxing jurisdiction within Kansas City by the total assessed valuation of the taxing jurisdiction.
- (2) This amount includes \$311,325,000 of general obligation bonds payable and \$1,248,316,624 of leasehold revenue bonds, lease purchase agreements, and limited obligation notes and bonds. The limited obligation includes the special facility airport revenue bonds, series 2005G, which is secured by the City's annual appropriation pledge.
- (3) The total debt outstanding number includes actual balances of bonds that were considered as contingent liability in the City of Kansas City, Missouri's CAFR for fiscal year 2008.

CITY OF KANSAS CITY, MISSOURI

LEGAL DEBT MARGIN OBLIGATION

LAST TEN FISCAL YEARS

		Fiscal year									
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed valuation for City, county, and state purposes (Table 7)	\$	4,784,207,000	5,053,483,000	5,185,768,000	5,495,416,000	5,377,533,000	5,668,137,000	5,917,911,512	6,454,419,000	6,624,214,000	7,283,914,645
Constitutional debt limit (1) (2)		956,841,400	1,010,696,600	1,037,154,000	1,099,083,200	1,075,506,600	1,133,627,400	1,183,582,302	1,290,883,800	1,324,842,800	1,456,782,929
General obligation bonds payable (3)		121,460,000	115,220,000	164,710,000	164,495,000	154,335,000	161,955,000	242,020,000	228,130,000	289,725,000	311,325,000
Less debt service fund balances available for retirement of bonds (4)		15,257,000	13,246,000	17,179,000	14,645,000	13,057,000	10,197,000	11,534,339	10,939,752	15,899,741	13,886,969
Total amount of bonds payable applicable to debt limit		106,203,000	101,974,000	147,531,000	149,850,000	141,278,000	151,758,000	230,485,661	217,190,248	273,825,259	297,438,031
Margin above bonds payable		850,638,400	908,722,600	889,623,000	949,233,200	934,228,600	981,869,400	953,096,641	1,073,693,552	1,051,017,541	1,159,344,898
General obligation bonds authorized – unissued		83,585,000	83,585,000	11,405,000	700,000	35,700,000	315,700,000	220,000,000	220,000,000	144,915,000	104,915,000
Legal debt margin	\$	767,053,400	825,137,600	878,218,000	948,533,200	898,528,600	666,169,400	733,096,641	853,693,552	906,102,541	1,054,429,898

- (1) Section 26(b) and (c) of the state constitution permits the City, by a vote of the qualified electors, to incur an indebtedness for City purposes not to exceed 10% of assessed valuation.
- (2) Section 26(d) and (e) of the state constitution provides that any City may become indebted not exceeding in the aggregate an additional 10% for the purposes of acquiring the right-of-way constructing, extending, and improving streets and avenues and/or waterworks, electric, or light plants, provided the total general obligation indebtedness does not exceed 20% of assessed valuation.
- (3) The total general obligation bonds in FY 2008 include \$2,670,000 general obligation bonds for sanitary sewers, \$63,845,000 general obligation bonds for streetlight projects, \$244,275,000 general obligation bonds for capital improvements and \$535,000 for neighborhood improvement district projects.
- (4) Fund balance of general debt, interest, and streetlight debt excluding encumbrances.

Source: Statistical Section of the Kansas City, Missouri Comprehensive Annual Financial Report for Fiscal Year 2008.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX D

FORM OF BOND COUNSEL OPINION

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX D

FORM OF OPINION OF CO-BOND COUNSEL

**KUTAK ROCK LLP
1010 GRAND, SUITE 500
KANSAS CITY, MISSOURI 64106**

**HARDWICK LAW FIRM LLC
1125 GRAND, SUITE 1200
KANSAS CITY, MISSOURI 64016**

[Closing Date]

City of Kansas City, Missouri
Kansas City, Missouri

JPMorgan Chase Bank, National Association
New York, New York

Commerce Bank, N.A., as Trustee
Kansas City, Missouri

Banc of America Securities LLC
St. Louis, Missouri

Re: \$6,485,000 Variable Rate Demand Special Obligation Refunding Bonds (Chouteau I-35 Project) Series 2009C (the “Series 2009C Bonds”) and \$5,760,000 Variable Rate Demand Taxable Special Obligation Refunding Bonds (Chouteau I-35 Project) Series 2009D (the “Series 2009D Bonds” and with the Series 2009C Bonds, the “Bonds”) of the City of Kansas City, Missouri

We have acted as Co-Bond Counsel in connection with the issuance by the City of Kansas City, Missouri (the “Issuer”), of the above-referenced Bonds. The Bonds have been authorized and issued under and pursuant to City Charter of the Issuer and the Indenture of Trust dated as of April 1, 2009, between the Issuer and Commerce Bank, N.A., as trustee (the “Indenture”). Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Indenture.

The proceeds of the Series 2009C Bonds will be used to provide funds to refund the outstanding Tax Increment Financing Commission of Kansas City, Missouri Variable Rate Demand Tax Increment Refunding and Improvement Revenue Bonds (Chouteau I-35 Project) Series 2003A. The proceeds of the Series 2009D Bonds will be used to provide funds to refund the outstanding Variable Rate Demand Taxable Tax Increment Refunding and Improvement Revenue Bonds (Chouteau I-35 Project) Series 2003B.

Reference is made to an opinion of even date herewith of the City Attorney, with respect to, among other matters, (a) the power of the Issuer to enter into and perform its obligations under the Indenture and the Financing Agreement relating to the Bonds and the Tax Compliance Agreement relating to the Series 2009C Bonds and (b) the due authorization, execution and delivery of the Indenture, the Financing Agreement and the Tax Compliance Agreement by the Issuer and the binding effect and enforceability thereof against the Issuer.

In our capacity as Co-Bond Counsel, we have examined such certified proceedings and other documents as we deem necessary to render this opinion, including a certified transcript of the proceedings relating to the authorization and issuance of the Bonds, which transcript includes, among other documents and proceedings, the Indenture, the Financing Agreement, the Tax Compliance Agreement and related proceedings, documents and certificates, and also a specimen Bond of each issue so authorized. As to questions of fact material to our opinion we have relied upon representations contained in the Indenture,

the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have also examined the Constitution and statutes of the State of Missouri, insofar as the same relate to the authorization and issuance of the Bonds and the authorization, execution and delivery of the Indenture.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is a constitutional charter city duly and legally organized and validly existing under the laws of the State of Missouri and has lawful power and authority to issue the Bonds and to enter into the Indenture and to perform its obligations thereunder.

2. The Bonds are in proper form and have been duly authorized and issued in accordance with the Constitution and statutes of the State of Missouri.

3. The Bonds are valid and legally binding limited obligations of the Issuer according to the terms thereof, payable as to principal, redemption premium, if any, and interest solely from, and secured by a valid and enforceable pledge and assignment of the Trust Estate, all in the manner provided in the Indenture. The Bonds do not constitute a debt or liability of the State of Missouri or of any political subdivision thereof within the meaning of any State Constitutional provision or statutory limitation and shall not constitute a pledge of the full faith and credit of the State or of any political subdivision thereof.

4. The Indenture and the Financing Agreement have been duly authorized, executed and delivered by the Issuer and constitute valid and legally binding agreements enforceable against the Issuer in accordance with the respective provisions thereof.

5. The interest on the Series 2009C Bonds is excluded from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the Issuer and the Trustee comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2009C Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal and Missouri income tax purposes. The Issuer and the Trustee have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2009C Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2009C Bonds. The Series 2009C Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Series 2009C Bonds.

6. The interest on the Series 2009D Bonds is not excluded from gross income for federal and Missouri income tax purposes.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Financing Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

We call to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result.

We do not undertake to advise you of matters which may come to our attention subsequent to the date hereof which may affect the legal opinions expressed herein.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX E

THE LETTER OF CREDIT PROVIDER

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX E

THE LETTER OF CREDIT PROVIDER

The following information has been provided by the Bank (as defined herein) for use in this Official Statement. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority, the City or the Underwriter. This information has not been independently verified by the Authority, the City or the Underwriter. No representation is made by the Authority, the City or the Underwriter as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

*Terms defined in this **Appendix E** shall be defined only for purposes of this Appendix and for no other purpose relating to this Official Statement.*

JPMorgan Chase Bank, National Association (the “**Bank**”) is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of December 31, 2008, JPMorgan Chase Bank, National Association, had total assets of \$1,746.2 billion, total net loans of \$646.8 billion, total deposits of \$1,055.8 billion, and total stockholder’s equity of \$128.8 billion. These figures are extracted from the Bank’s unaudited Consolidated Reports of Condition and Income (the “**Call Report**”) as at December 31, 2008, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation. The Call Report, including any update to the above quarterly figures, can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2008, of JPMorgan Chase & Co., the 2008 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the “**SEC**”) by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC’s website at www.sec.gov.

The information contained in this **Appendix E** relates to and has been obtained from the Bank. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this **Appendix E** is correct as of any time subsequent to its date.

(THIS PAGE INTENTIONALLY LEFT BLANK)